

# Remuneration Committee

## Terms of Reference

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# Remuneration Committee – Terms of Reference

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# Remuneration Committee – Terms of Reference

## 1.0 Administration

The Remuneration Committee (“the Committee”) is a Committee of the Board of Directors of The Sage Group Plc. (“the Board”) from which it derives its authority and to which it regularly reports.

### 1.1 Change Control:

Version	Author of Change	Date	Details of Change
1.1	Vicki Bradin	25 July 2017	Amend reference to relevant regulations and HR Director
1.2	Vicki Bradin	11 September 2019	Review to incorporate UK Corporate Governance Code revisions

# Remuneration Committee – Terms of Reference

## 2.0 Purpose and Objective:

A Committee of the Board of Directors with delegated authority to determine the policy for executive director remuneration and to set remuneration for the Chairman, executive directors and members of the Executive Committee. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.

## 3.0 Authority:

- 3.1 The Committee shall determine the policy for executive director remuneration and set remuneration for the Chairman, executive directors and members of the Executive Committee. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board and should reflect the time commitment and responsibilities of the role;
- 3.2 The Committee shall establish a formal and transparent procedure for developing policy on executive remuneration and determining director and Executive Committee remuneration, and in doing so shall consider the following:
  - 3.2.1 the need to exercise independent judgement and discretion when authorising remuneration outcomes, taking account of the Company's and individual performance and wider circumstances;
  - 3.2.2 aligning executive remuneration to the Company's purpose and values, and ensuring a clear link to the successful delivery of the Company's long-term strategy;
  - 3.2.3 ensuring that no director or manager shall be involved in deciding their own remuneration outcome;
  - 3.2.4 when setting the policy for executive director remuneration, taking into account workforce remuneration and related policies and the alignment of incentives and rewards with culture;
  - 3.2.5 that the objective of the executive remuneration policy is to attract individuals of the quality required to run the Company successfully without paying more than necessary;
  - 3.2.6 that the Committee Chairman should seek engagement with shareholders and other stakeholders to obtain an understanding of their views;
  - 3.2.7 structuring a significant proportion of remuneration to link reward to corporate and individual performance and promote the long-term

success of the Company; and

3.2.8 when determining executive director remuneration policy and practices: ensure clarity and simplicity of remuneration arrangements; identify and mitigate potential behavioural, reputational and other risks arising from target based incentive plans or excessive rewards; ensure predictability in the value of such remuneration; ensure proportionality of individual awards with delivery of the strategy and long-term Company performance; and ensure schemes drive behaviours aligned to the Company's values and culture.

3.3 The Committee should undertake the following responsibilities:

3.3.1 review the ongoing appropriateness and relevance of the remuneration policy;

3.3.2 approve the design of, and determine targets for, any performance related pay schemes operated by the Company and asking the Board, where appropriate, to seek shareholder approval for any long-term incentive arrangements;

3.3.3 ensure the remuneration policy promotes long-term shareholdings by executive directors by ensuring share awards granted are released on a phased basis and subject to total vesting and holding period of five years or more;

3.3.4 determine the total individual remuneration package of executive directors (within the terms of the agreed policy) and of members of the Executive Committee including, where appropriate, bonuses, incentive payments and share options;

3.3.5 review the design of all share incentive plans for approval by the Board and shareholders ensuring they include provisions that would enable the Company to recover and / or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so;

3.3.6 determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and members of the Executive Committee and the performance targets used, avoiding formulaic outcomes;

3.3.7 determine the achievement against targets for any performance based variable rewards for executive directors and members of the Executive Committee;

3.3.8 ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised by

- reducing compensation to paid to the departing individual;
- 3.3.9 determine the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments for the executive directors, aligning terms on pension contribution rates with those available to the workforce and ensuring that only basic salary is pensionable;
  - 3.3.10 review workforce remuneration and related policies across the Group and the alignment of incentives and rewards with culture and take these into account when setting the remuneration policy for directors;
  - 3.3.11 oversee any major changes in employee benefit structures throughout the Company or Group relevant to members of executive management and generally keep under review the remuneration structure for Executive Committee members;
  - 3.3.12 agree the policy for authorising claims for expenses from the chief executive and Chairman;
  - 3.3.13 ensure compliance with legal and regulatory requirements and strive to meet best practice guidance; and
  - 3.3.14 produce an annual report of the Committee's remuneration policy.
- 3.4 The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee. The Committee shall obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity.
- 3.5 The Committee is authorised by the Board to seek any information if requires from any employee of the Company in order to perform its duties.
- 3.6 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice and to secure the attendance of external advisers at its meetings if it considers this necessary.
- 3.7 The Committee shall have full authority to commission any reports or surveys, which it deems necessary to help it fulfil its obligations.
- 3.8 Where the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 3.9 Although the Committee can seek the advice and assistance of any of the Company's executives, it needs to ensure that this role is clearly separated from their role within the business.

## **4.0 Membership:**

- 4.1 The Committee shall comprise at least three members, each of whom shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee.
- 4.2 Appointments to the Committee shall be for a period of up to three years, which may be extended by two further three-year periods, provided the director remains independent.
- 4.3 All members of the Committee shall be non-executive directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.
- 4.4 The Board should appoint the Committee Chairman and determine the period for which he/she shall hold office. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.
- 4.5 The Chairman of the Board may also serve on the Committee as an additional member, if he/she was considered independent on appointment as chairman.
- 4.6 Before appointment as Chairman of the Remuneration Committee, the appointee should have served on a remuneration committee for at least 12 months.
- 4.7 Only members of the Committee have the right to attend and vote at Committee meetings. However, other individuals such as the Chief Executive, Chief People Officer and external advisors may be invited to attend for all or part of any meeting as and when appropriate.
- 4.8 If a regular member is unable to act due to absence, illness or any other cause, the Chairman of the Committee may appoint another director of the Company to serve as an alternate member having due regard to maintaining the membership of the Committee as consisting only of independent non-executive members.
- 4.9 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.

## **5.0 Roles and Responsibilities:**

The Company Secretary shall act as the Secretary of the Committee.

## **6.0 Frequency of meetings and quorum:**

- 6.1 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be

competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.

- 6.2 The Committee shall meet not less than four times a year at such times as the Chairman of the Committee shall require.

## **7.0 Meeting Operations:**

- 7.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to members of the Committee and to other attendees, as appropriate, at the same time.
- 7.3 The Chief Executive Officer shall have the right to address any meeting of the Committee; others may be called upon by the Committee to speak.
- 7.4 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.5 Minutes of Committee meetings shall be circulated to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interest arises, or it would be inappropriate to do so.

## **8.0 Committee evaluation and ToR review:**

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **9.0 Reporting requirements:**

- 9.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.
- 9.2 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's

Annual Report and ensure each year that it is put to shareholders for approval at the Annual General Meeting.

Approved by the Board: 11 September 2019