

The Law Debenture Corporation p.l.c.

Remuneration Committee Terms of Reference

Definitions

Senior managers: Members of the Senior Leadership Team.

Benefits: All types of remuneration including salary, bonuses, profit sharing, share options, pension contributions, and other incentives and employment benefits.

1. Constitution

- 1.1 The Law Debenture Corporation p.l.c.'s (the "Corporation") Board has established a Remuneration Committee (the "Committee").
- 1.2 The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

2. Membership

- 2.1 The Committee shall comprise a minimum of three independent non-executive directors appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Committee Chair. Appointments to the Committee shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided the director still meets the criteria for membership of the Committee.
- 2.2 Each of the members of the Committee shall be independent non-executive directors, as determined by the Board, in accordance with the provisions of the UK Corporate Governance Code (the "Code").
- 2.3 The Chair of the Committee shall be appointed by the Board but should not be the Chair of the Corporation, although he/she may be a member of the Committee if they were considered independent on appointment. Before appointment as Chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months. In the absence of the Chair, the Committee members first shall agree that one of them should act as Chair for the purposes of the meeting who would qualify under these terms of reference to be appointed to that position by the Board. If the meeting is not quorate, it shall be postponed.
- 2.4 The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

3. Quorum

3.1 The quorum shall be two members.

4. Attendance at meetings

4.1 Only Committee members have the right to attend Committee meetings.

4.2 Other individuals may be invited to attend all or part of any Committee meeting as and when appropriate, including the executive directors and any appropriate advisers, provided that they are not personally interested in the matter concerned. In particular, no executive director or senior manager shall be involved in any decisions regarding his/her own remuneration and benefits.

5. Secretary

5.1 The Corporate Secretary for the Corporation shall be the Secretary of the Committee.

5.2 A representative of the Corporate Secretary shall attend meetings and will ensure that the Committee receives information and papers to enable full and proper consideration to be given to issues.

5.3 If the Committee wishes to meet without a representative of the Corporate Secretary, a member of the Committee shall act as Secretary for that meeting.

5.4 The Company Secretary (in conjunction with the General Counsel and remuneration advisors) shall advise the Committee on The Law Debenture Corporation plc's group of companies' (the "Group") compliance with the remuneration aspects of corporate governance, their remit, the requirements of the Corporation's Articles of Association, company law in general, the requirements of the Code, and any other obligations under the Listing Rules of the FCA.

5.5 The Company Secretary will minute the proceedings and decisions of all Committee meetings.

6. Frequency of meetings

6.1 Meetings shall be held not less than two times per year.

6.2 Any member may request a meeting if they consider one necessary.

6.3 The Committee will hold such additional meetings as it considers necessary to perform its duties as specified below.

6.4 Outside of the formal meeting programme, the Committee Chair shall maintain a dialogue with key individuals involved in the Corporation's management, including but not limited to the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the General Counsel and the Company Secretary.

7. Authority

7.1 The Committee is authorised by the Board to:

- (i) investigate any activity which it considers to be relevant to the carrying out of its duties within its terms of reference;

- (ii) seek any information it requires from any Group employee and all Group employees are directed to co-operate with any request made by the Committee; and
- (iii) obtain outside legal, accounting or other independent professional advice on matters falling within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

8. Duties

8.1 The duties of the Committee shall be:

- (i) to determine the policy for executive director remuneration and set remuneration for the Corporation's Chair, executive directors and senior managers in accordance with the principles and provisions of the Code. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;
- (ii) to design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to the Corporation's purpose and values, clearly linked to the successful delivery of the Corporation's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums of share awards under appropriate specified circumstances;
- (iii) when determining the remuneration policy and practices with respect to executive directors', to consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture;
- (iv) in determining the remuneration policy, to take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Corporation successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders;
- (v) to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Corporation. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants;
- (vi) within the terms of the agreed remuneration policy and in consultation with the Chair and/or Chief Executive Officer as appropriate, approve the total individual remuneration package of each executive director, the Corporation's Chair and senior managers including base salaries, bonuses, incentive payments and share options or other share awards. The Committee's decision in relation to these remuneration packages shall be final;

- (vii) to consider interim pay reviews in respect of any person who, although not a senior manager at the time of the proposed review, is to be promoted to become a senior manager;
- (viii) to approve the remuneration and Benefits of any proposed new recruit who would, on recruitment, become a senior manager;
- (ix) to review every proposal to compensate any executive director or senior manager for termination of employment, and any other employee with a termination package in excess of £100,000;
- (x) to consider and report to the Board on the establishment (and any determinations or waivers thereunder, including, without limitation, as to vesting and the establishment of all compliance with performance targets) of any remuneration scheme or arrangement, including any profit sharing plans, retirement plans, share award or option plans or any other similar arrangements, including compliance with the terms thereof. Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests, with share awards being released for holding periods that accord with corporate governance best practice;
- (xi) to review the design of all share incentive plans for approval by the Board and, where required, shareholders. For any such plans, review each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for executive directors and senior managers, and the performance targets to be used;
- (xii) to consider compliance with (including, without limitation, any waivers with respect to) any employment arrangement, vesting of shares or options or other incentive compensation for senior managers. The Committee should take into account the need to develop and maintain a policy for in-employment and post-employment shareholding requirements encompassing both unvested and vested shares;
- (xiii) to consider and, approve overall percentage figures for increases in salaries for employees who are not senior managers as proposed by the Chief Executive Officer;
- (xiv) to investigate or consider any other matter which the Board requests it to investigate and consider;
- (xv) to the extent necessary, ensure that the remuneration policy remains consistent with the requirements on remuneration stipulated in the FCA's FUND obligations on Alternative Investment Fund Managers;
- (xvi) to take all decisions that are necessary to implement the Corporation's Group wide incentive schemes in accordance with the respective rules of those schemes, but expressly noting that the Committee should be able to exercise discretion to override formulaic outcomes;
- (xvii) to work and liaise as necessary with other Board committees, ensuring the interaction between the Committee and with the Board is reviewed regularly; and
- (xviii) consider an annual paper on employee conditions and gender and ethnicity pay gaps and monitor the CEO pay ratio to the UK workforce.

Note: the remuneration of non-executive directors (except the Board Chairman) is not a consideration of this Committee. It shall be a matter for consideration by the Board consisting of the executive directors, who shall make recommendations to the Board for approval.

9. Remuneration principles and remuneration policy

- 9.1 The Corporation's current remuneration principles are set out in the remuneration policy approved by shareholders*.
- 9.2 Working within the principles are set out in the policy, other matters that should be considered when setting levels of remuneration and awards include:
- (i) a demonstration that the increase/decrease complies with the overall remuneration strategy of the Corporation;
 - (ii) a demonstration that it is affordable in light of the particular business unit and the Group as a whole; and
 - (iii) reasons to support the remuneration and awards, to include:
 - a) the provision of internal and external comparators;
 - b) the nature of the work being undertaken by senior managers;
 - c) the range and weight of responsibilities held by senior managers;
 - d) the performance of the individual member of senior management in each case;
 - e) the performance of any business unit under the senior manager's direction, if applicable;
 - f) the contribution of the senior manager to the overall strategy, management and direction of the Group beyond the strict performance of his or her duties; and
 - g) any other pertinent factors.

* The current policy, approved by shareholders on 7 April 2020, is set out on pages 53 to 62 of the annual report to 31 December 2019.

10. Reporting and governance procedures

- 10.1 The Chair of the Committee shall report to the Board at its next scheduled meeting with a summary of the Committee's activities. The Committee will keep such record of its proceedings and decisions as it thinks appropriate.
- 10.2 The Committee shall ensure a report on its activities is included in the Corporation's annual report covering the areas prescribed by the Code and company law.
- 10.3 The Committee shall also ensure that provisions regarding disclosure of information as set out in company law and the Code are fulfilled, and that a report on the remuneration policy and practices is included in the Corporation's annual report and put to shareholders for approval at the AGM as necessary.
- 10.4 If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the Corporation or individual directors.
- 10.5 Minutes of meetings of the Committee shall be made available to all members of the Board, unless it would be inappropriate to do so.

- 10.6 The Committee should ensure that a periodic evaluation of its performance is carried out.
- 10.7 At least annually, the Committee should review its constitution and terms of reference and recommend any changes to the Board.

11. Shareholder Engagement

- 11.1 In normal circumstances, the Committee Chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities.
- 11.2 In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

Approved by the Board on 25 July 2022