

## SIRIUS MINERALS PLC

### TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

(Approved by the Board of Sirius Minerals Plc on 13 December 2018)

#### 1. Constitution

By resolution of the Board of Directors of the Company (the “Board”), it has been agreed to establish a committee of the Board, to be called the Remuneration Committee (the “Committee”).

#### 2. Membership

- 2.1 The Committee shall comprise at least three members, all of whom will be independent non-executive directors chosen by the Board on the recommendation of the Nominations Committee and in consultation with the chairman of the Committee (the “Chairman”), in accordance with the Company’s articles of association. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman. Upon ceasing to be a director of the Company, individuals immediately cease to be members of the Committee.
- 2.2 Appointment to the Committee shall be for a period of up to three years. Appointments are renewable by no more than two additional periods of up to three years, provided the member still meets the criteria for membership of the Committee and subject to the articles of association and re-election by shareholders.
- 2.3 The Board shall appoint the Committee Chairman who shall be an independent non-executive director and the appointee will normally have served on a remuneration committee for at least 12 months. The Committee Chairman shall not be the Chairman of the Board.
- 2.4 In the absence of the Chairman the remaining members present shall elect one of their number to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.
- 2.5 The Chairman and members will be listed each year in the annual report of the Company.
- 2.6 The Company Secretary (the “Secretary”) or his or her nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 2.7 Care should be taken to minimise the risk of any conflict of interest that might give rise to an unacceptable influence.

### **3. Meetings**

- 3.1 Meetings shall be held at least two times in each financial year and otherwise as the Chairman will require.
- 3.2 A meeting of the Committee may also be called by any member of the Committee.
- 3.3 The quorum for meetings shall be two members of the Committee. Members may be present via telephone.
- 3.4 Unless otherwise agreed with the Committee Chairman, notice of each meeting confirming the venue, time and date, as well as any telecommunication alternatives, together with an agenda of items to be discussed shall be forwarded to each member of the Committee not fewer than five working days prior to the date of the meeting.
- 3.5 No one other than the Chairman and members of the Committee is entitled to be present at a meeting of the Committee. However, the Chairman may invite directors, who are not members of the Committee, or external advisers to attend for all or part of any meeting to support the Committee and to provide technical information, as and when appropriate and necessary.
- 3.6 The Chairman of the Board and/or Chief Executive will be invited by the Committee to attend meetings to discuss the performance of the other executive directors and to make proposals as necessary. The Committee may consult the other non-executive directors in its evaluation of the Chief Executive.
- 3.7 No director or manager will be present at any meeting of the Committee when his or her own remuneration is being discussed. No director will be involved in any decision as to his own remuneration.
- 3.8 In order to fulfil the Committee's overall objectives and to demonstrate that the remuneration of such directors is independently approved and monitored, the members of the Committee shall:
- 3.8.1 have no personal financial interest, other than as shareholders, in the Committee's decisions;
  - 3.8.2 have no "cross-directorships" with the executive directors which could be thought to offer scope for mutual agreements to bid up each other's remuneration;
  - 3.8.3 be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment; and
  - 3.8.4 have a good understanding, enhanced as necessary by the provision of appropriate training or access to expert advice at the Company's expense, of the areas of the Committee's business.

3.9 The Secretary shall minute the proceedings and resolutions of all meetings as well as keep appropriate records.

3.10 Copies of the minutes of the meetings shall be circulated to all members of the Committee and to the Chairman of the Board. Any director of the Company may, upon request to the Company Secretary and provided there is no conflict of interest, obtain copies of the Committee's agenda and minutes.

#### **4. Duties**

4.1 The Committee is a sub-committee of the Board and as such exercises such powers of the Board as have been delegated to it, is answerable to the Board and will report to it on a regular basis.

4.2 The Committee should carry out the duties set out below, for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

4.3 It will also consult the senior independent director and other non-executive directors, who are not members of the Committee, about its proposals relating to the remuneration of the Chairman of the Board.

4.4 The Committee shall:

4.4.1 determine on behalf of the Board the policy for executive director remuneration and set remuneration of the Chairman of the Company, executive directors and such other members of senior management (to include, as a minimum, the first layer of management below Board level and the Company Secretary), as it is designated by the Board to consider, managing any conflicts of interest in this process;

4.4.2 address the six areas (clarity, simplicity, risk, predictability, proportionality, and alignment to culture) set out in Paragraph 40 of The UK Corporate Governance Code (July 2018) when determining executive director remuneration policy and practices;

4.4.3 ensure that remuneration policies and practices are designed to support the strategy and promote the long-term sustainable success of the Company, taking into account all factors which it deems necessary including, but not limited to, relevant legal and regulatory requirements, the UK Corporate Governance Code and associated guidance;

4.4.4 review workforce remuneration and related policies and the alignment of incentives and rewards with culture and take these into account when setting the policy for executive director remuneration.

4.4.5 ensure effective engagement with the workforce and shareholders in relation to remuneration and related policies and practices, ensuring their views are understood and considered appropriately by the Committee and the Board and set out in the description of the work of the Committee in the annual report what engagement has taken place with

the workforce to explain how executive remuneration aligns with wider Company pay policies;

- 4.4.6 ensure that all remuneration payments made to any executive director are consistent with the remuneration policy approved by the Company's shareholders or otherwise agreed in advance by the Company's shareholders;
- 4.4.7 consider what details of the directors' remuneration should be reported in the Company's annual report and accounts in addition to those required by law or the rules of the market on which the Company is quoted, and how these details should be presented including by way of an annual remuneration report to shareholders to form a separate section within, or annex to, the Company's annual report and accounts. Such report should, inter alia, explain how the Company's strategic objectives and risk management has been considered in determining the executive directors' remuneration structure;
- 4.4.8 consider what compensation commitments (including pension contributions) the executive directors' contracts of service, if any, would entail in the event of early termination, and to approve any compensation packages or arrangements following the severance of any executive director's contract, to ensure that it falls within the Company's Remuneration Policy and that the executive director is treated fairly but that poor performance is not rewarded and the duty of the executive director to mitigate any loss suffered by him/her as a result of the severance is fully recognised;
- 4.4.9 review and approve the design of, and any amendments to, all of the Company's cash bonus and share incentive plans prior to obtaining any necessary approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the amounts and vesting schedules of individual awards to executive directors and other senior executives and the performance targets to be used, and exercise any discretion specified in the rules of the plans and generally oversee the administration of plans offered to executive directors and/or other senior executives;
- 4.4.10 ensure that all variable remuneration schemes and policies enable the Committee to override formulaic outcomes and include provisions to allow the Company to recover and/or withhold sums or share awards, setting out the specified circumstances in which it would be appropriate to do so. The Committee shall exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance and the wider circumstances and, as part of the annual process to determine remuneration outcomes, take an active decision on whether or not to exercise discretion;
- 4.4.11 determine the policy for, and scope of, pension arrangements for each Executive Director and senior management (to include, at a minimum, the first layer of management below Board level and the Company Secretary) ensuring that the pension contribution rates for executive directors (including payments in lieu) are aligned with those available to the

workforce. The basic salary increases or any other changes to pensionable remuneration or contractual rules should be carefully considered when compared with workforce arrangements;

- 4.4.12 develop a formal policy for post-employment shareholding requirement for executive directors, encompassing both unvested and vested shares;
- 4.4.13 regularly review the ongoing appropriateness and relevance of the remuneration policies and the Company's Remuneration Policy to ensure that reward policies across the Company work:
  - a) to promote the long-term success of the Company;
  - b) to ensure, where possible, that a significant proportion of the remuneration of each executive director is structured to link remuneration to Company and individual performance;
  - c) to consider and promote the Company's long-term strategic goals, where appropriate; and
  - d) to ensure that any performance-related elements of any remuneration structure are transparent, stretching and rigorously applied;
- 4.4.14 consider whether or not and to what extent the views of shareholders should be obtained in relation to the formulation on the executive directors' remuneration policy and ensure relevant disclosures are made;
- 4.4.15 approve the remuneration packages of newly appointed executive directors and liaise with the Nominations Committee to ensure that any such remuneration packages are within the Company's Remuneration Policy;
- 4.4.16 liaise with the Board and other committees as appropriate to ensure that risk is taken into account when determining the remuneration policies;
- 4.4.17 oversee any major changes in employee benefits structures;
- 4.4.18 appoint consultants in respect of executive director remuneration and make the terms of reference of such consultants, together with a statement of whether they have any other connection with the Company, available (by placing it on the Company's website and including a statement in the annual report, and to consider how such advice is independent and objective);
- 4.4.19 consider the relative importance of the Company's expenditure on pay compared to the Company's profits, dividends and tax paid;

4.4.20 make available these terms of reference, explaining its role and the authority delegated to it by the Board by including the information on the Company's website; and

4.4.21 consider other topics, as defined by the Board.

4.5 It is the responsibility of the Chairman to decide what data he considers necessary in order to fulfil the duties outlined above, and to ensure that this is circulated to all members of the Committee. The Board has agreed to provide the Committee with full co-operation in the fulfilment of its duties.

4.6 The Chairman, or a duly designated Committee member, shall attend the annual general meeting of the Company and be prepared to respond to shareholder questions on the Committee's activities and directors' remuneration. All members of the Committee will also attend the annual general meeting.

4.7 If deemed desirable by the Board, the Chairman and other members of the Committee should meet with major shareholders of the Company to consult on remuneration matters.

4.8 The remuneration of non-executive directors will be a matter for the Chairman of the Board and executive members of the Board.

## **5. Reporting Responsibilities**

5.1 The Chairman shall report to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.

5.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

5.3 The Committee will assist the Board in preparing an annual remuneration report to shareholders for the purposes of, and in accordance with, sections 420 and 421 of the Companies Act 2006 and Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013), LR 9.8.8.R of the Listing Rules of the Financial Conduct Authority and the principles of the UK Corporate Governance Code.

5.4 The Committee will produce:

5.4.1 an annual report setting out the Company's remuneration policies and practices, and its duties and activities during the year; and

5.4.2 a policy report in respect of directors' remuneration at least every three years which will form part of the Company's annual report and accounts and to be approved by shareholders as required under the Companies Act 2006.

5.5 The Committee will consider and make recommendations to the Board concerning disclosures of details of remuneration packages and structures in addition to those required by law, the UK Listing Authority and the London Stock Exchange.

5.6 If the Committee appointed remuneration consultants, the annual remuneration report will identify such remuneration consultants and state whether they have any other connection with the Company or individual directors.

5.7 The Chairman will ensure that the Company maintains contact with its principal shareholders regarding remuneration.

## **6. Authority**

6.1 The Committee is a fully constituted committee of the Board established to perform the duties set out above and to report on those matters to the Board.

6.2 The Committee shall have the power to employ, at the Company's expense, the services of such advisors as it deems necessary to fulfil its responsibilities.

6.3 The Committee is authorised to seek any information it requires from any employee of the Company or group company in order to perform its duties.

6.4 The Committee will give due consideration to laws and regulations of the Financial Conduct Authority's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules as well as guidelines published by the Association of British Insurers and the Pensions and Lifetime Savings Association and any other applicable rules, as appropriate.

6.5 The Committee will at least annually 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.