

Appendix 6: Remuneration Committee

Terms of Reference

1. CONSTITUTION

- 1.1. The Remuneration Committee (Committee) was constituted as a committee of the Board of Directors (Board) of Wm Morrison Supermarkets PLC (Company) in accordance with the articles of association of the Company.
- 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 delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Company Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

2. ROLE

- 2.1. The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- 2.2. Subject to Paragraph 2.3, in particular, the Committee shall consider:
 - a. remuneration policies, including base pay, long and short term incentives;
 - b. remuneration practice and its cost to the Company;
 - c. recruitment, service contracts and severance policies;
 - d. pension and superannuation arrangements and other benefits; and
 - e. the engagement and independence of external remuneration advisers.
- 2.3. The remuneration of the Senior Independent Director and Non-Executive Directors of the Board shall be a matter for the chairperson and the Executive Directors to be decided at a meeting of the Board to be determined within the limits set in the Company's articles of association. No director shall be involved in any decisions as to their own remuneration.

3. DUTIES AND TERMS OF REFERENCE

The Committee shall carry out the following duties for the Company and its subsidiaries (Group) as appropriate:

3.1. Remuneration policy

The Committee shall:

- a. determine and agree with the Board the policy for the remuneration and benefits, including pension rights and compensation payments, of:
 - i. the chairperson of the Company;
 - ii. Executive Directors;
 - iii. the Company Secretary; and
 - iv. senior executives workforce
- b. in determining the remuneration policy, and particularly when determining annual salary increases for directors, consider:
 - i. all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (Code) and associated guidance;
 - ii. an appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration;
 - iii. the need to promote the long-term success of the Company without paying more than is necessary, having regard to the views of shareholders and other stakeholders, and ensuring that Executive Directors and senior executives are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
 - iv. the business strategy of the Group and how the policy reflects and supports the business strategy;
 - v. the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long term strategic goals;
 - vi. remuneration trends and pay and employment conditions across the Group including the remuneration of the wider workforce;
 - vii. whether Executive Directors should be required to hold a minimum number of shares for a further period after vesting or exercise, including a period after leaving the Company; and
 - viii. the transparency of the performance-related elements, ensuring that they are stretching and rigorously applied;
- c. review the on-going appropriateness and relevance of the remuneration policy;
- d. within the terms of the agreed remuneration policy, determine the total remuneration package for the Company chairperson and each element of the total individual remuneration package for each executive director, the Company Secretary and senior executives including (to the extent applicable):
 - i. base salary;
 - ii. profit sharing and specific incentive remuneration schemes or arrangements;
 - iii. participation in share option schemes and share ownership plans;
 - iv. pension arrangements, including the level of contributions by the Company; and
 - v. other bonuses and benefits in cash or in kind;

- e. ensure, where relevant, that any payments made in respect of any remuneration package are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval;
- f. within the terms of the agreed remuneration policy, decide on any ex-gratia payments to be made and benefits granted to directors and senior executives and their surviving spouses;
- g. exercise any discretion or judgment on remuneration issues in accordance with the remuneration policy;
- h. agree the policy for authorising claims for expenses from the directors; and
- i. engage in appropriate discussions as necessary with institutional investors on policy or any other aspects of remuneration.

3.2. Share based remuneration and bonus arrangements

The Committee shall:

- a. recommend for approval by the Board the design of, and determine the targets for, the operation of all long term incentive schemes, including all schemes involving the award of shares or the grant of options, in which Executive Directors, the Company Secretary and senior executives participate. For any such schemes or plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes or plans by those individuals;
- b. monitor and assess any performance conditions applicable to any long term incentive awards granted under any schemes or plans adopted by the Company. Ensure that the performance conditions are fully explained and clearly linked to the enhancement of shareholder value. Consider whether any factors should be taken into account which would make an alternative outcome more appropriate and aligned to the interests of shareholders;
- c. consider whether the Executive Directors, the Company Secretary and senior executives should be eligible for annual bonuses. Bonuses shall be used to reward a contribution to the business which exceeds the level expected;
- d. recommend for approval by the Board the design of, and determine annual targets and key performance indicators for, any bonus scheme operated by the Company and assess performance against targets and key performance indicators, by the Company, individual Executive Directors, the Company Secretary and senior executives
- e. design and invoke agreed safeguards, for example, clawback or withholding the payment of any sum, to protect against rewards for failure through appropriate risk management of any incentive arrangements to ensure that any performance-related payments reflect actual achievements; and
- f. ensure that all incentive arrangements are aligned to the Company's risk policies and systems.

3.3. Pensions

The Committee shall review the pension arrangements for the Executive Directors, the Company Secretary and senior executives and in particular the pension consequences and associated costs to the Company of basic salary increases and any other changes in pension remuneration.

3.4. Remuneration consultants

The Committee shall:

- a. to help it to fulfil its obligations and to enable it to judge where to position the Company relative to other companies, have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, at the expense of the Company but within any budgetary restraints imposed by the Board; and
- b. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

3.5. Service contracts and severance

The Committee shall:

- a. approve the terms of the service contracts, the duration of which shall not exceed one year's notice period, for Executive Directors, the Company Secretary and senior executives and any material amendments to those contracts;
- b. determine the policy for, and scope of, termination payments and compensation commitments for each Executive Directors, the Company Secretary and senior executives and ensure that there is a clear policy to link non-contractual payments to performance; and
- c. ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

3.6. Shareholder approval

The Committee shall:

- a. produce a report to shareholders annually on matters relating to executive remuneration that shall include the information required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), the Code, the Listing Rules (as published by the Financial Conduct Authority) (Listing Rules) and any other relevant statutory, regulatory or governance codes and incorporate:
 - i. an annual statement by the Committee's chairperson and annual report on directors' remuneration (together, annual remuneration report); and
 - ii. the directors' remuneration policy when it must be submitted for approval in accordance with Paragraph 3.6(b) (directors' remuneration policy) and, in any other case, either the directors' remuneration policy, a summary of such policy or details of when the directors' remuneration policy was approved and where it can be found on the Company's website;
- b. submit the Directors' remuneration policy for approval on a binding basis by the Board and shareholders:
 - i. every three years;
 - ii. in any year in which there is a change to the policy;
 - iii. if shareholder approval was not obtained when last submitted; and
 - iv. if majority shareholder approval was not achieved on the last submitted annual remuneration report; and
- c. submit the annual remuneration report for approval on an advisory basis by the Board and shareholders at the Annual General Meeting each year.

- d. seek engagement with shareholders on significant matters related to its area of responsibility including circumstances where a significant proportion of votes are cast against a resolution put forward by the Board on behalf of the Committee; consult with shareholders as appropriate in the event of significant dissent (normally 20% or more votes against a resolution)

3.7. Other matters

The Committee shall:

- a. monitor and review the level and structure of remuneration of senior management in the context of the remuneration policy of the Group as a whole, pay and conditions elsewhere in the Group, and the overall cost to shareholders
- b. keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;
- c. oversee any major changes in remuneration and employee benefits structures throughout the Group;
- d. subject to delegation of authority by the Board, determine whether the disclosure of any information on performance conditions and performance targets would be commercially sensitive;
- e. consider such other matters as are referred to the Committee by the Board; and
- f. work and liaise as necessary with all other Board committees.

4. MEMBERSHIP

- 4.1. At all times the Committee shall comprise a chairperson and a minimum of three members. Each Committee member shall be an independent Non-Executive Director as determined by the Board (in accordance with the principles of the Code).
- 4.2. The Board shall appoint members of the Committee, on the recommendation of the nomination committee, in consultation with the Committee chairperson. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments.
- 4.3. The chairperson of the Board may be a member of, but not chair, the Committee if he or she was considered to be independent on appointment as chairperson.
- 4.4. Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three year periods, so long as members continue to be independent.
- 4.5. The Board shall appoint the chairperson of the Committee from among the independent Non-Executive Directors and shall determine the period for which the chairperson of the Committee will hold office. The Committee Chairman will in normal circumstances have a minimum of twelve months' experience of being a member of a Remuneration Committee (of this Company or elsewhere). In the absence of the Committee chairperson and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.
- 4.6. The Committee chairperson shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 4.7. The Company Secretary, or his or her nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes

and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

5. ATTENDANCE AT MEETINGS

- 5.1. The Committee shall meet at least twice a year and otherwise as required.
- 5.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the Committee chairperson.
- 5.3. No person (including Directors, the chairperson or senior executives) of the Company shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 5.4. The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.5. Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conferences.

6. NOTICE OF MEETINGS

- 6.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairperson or any member of the Committee.
- 6.2. 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, no later than three working days before the date of the meeting.
- 6.3. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Committee chairperson.

7. QUORUM

- 7.1. The quorum necessary for the transaction of business at a Committee meeting shall be two members, present in person or by audio or video conference. If there is difficulty in achieving a quorum, independent Non-Executive Directors, who are not members of the Committee, may be co-opted as members for individual meetings.
- 7.2. A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

8. VOTING ARRANGEMENTS

- 8.1. Subject to Paragraph 8.2 and Paragraph 8.3, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 8.2. If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

- 8.3. Except where he or she has a personal interest, the Committee chairperson shall have a casting vote.
- 8.4. The Committee chairperson may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

9. MINUTES OF MEETINGS

- 9.1. The Company Secretary (or his or her nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2. Draft minutes of Committee meetings shall be circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other Board members unless in the opinion of the Committee chairperson it would be inappropriate to do so.
- 9.3. A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

10. ANNUAL GENERAL MEETING

The Committee chairperson shall attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

11. REPORTING RESPONSIBILITIES

The Committee shall:

- 11.1. As necessary, report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and the minutes of all meetings shall be made available on request.
- 11.2. Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3. Ensure that provisions regarding the disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Code, are fulfilled.
- 11.4. Prepare a formal report for shareholders to be incorporated in the Company's annual report that shall include the matters referred to in Paragraph 3.6(a) and ensure that it is submitted for approval in accordance with Paragraph 3.6(b) above.
- 11.5. If the Committee has appointed remuneration consultants, identify in the annual report, the name of the consultants and state whether they have any connection with the Company.
- 11.6. Ensure, through the chairperson of the Board, that the Company maintains contact as required with its principal shareholders about remuneration.
- 11.7. Prepare and adopt a report on the Committee's work and activities for inclusion in the Company's annual report.
- 11.8. Make available to shareholders these terms of reference by placing them on the Company's website.

12. GENERAL MATTERS

The Committee shall:

- 12.1. Have access to sufficient resources to carry out its duties, including access to the Company Secretary and management for assistance as required.
- 12.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members. Any individual training is to be discussed and agreed with the Company Secretary.
- 12.3. Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of Directors of listed companies and formation and operation of share schemes including but not limited to the Companies Act 2006, the provisions and recommendations of the Code, the requirements of the Listing Rules, the Financial Conduct Authority's Prospectus Rules and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association, the Pensions and Lifetime Savings Association, the GC100 and Investor Group and any other applicable rules, as appropriate.
- 12.4. Work and liaise as necessary with all other Board committees.
- 12.5. Arrange for periodic reviews of its own performance and, at least annually, review its 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.

13. AUTHORITY

- 13.1. The Board authorises the Committee to:
- 13.2. Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary.
- 13.3. Seek any information it requires from any employee of the Group to perform its duties.
- 13.4. Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.
- 13.5. Call any employee of the Group to be questioned at a Committee meeting as and when required and all such employees are directed to co-operate with any request made by the Committee.
- 13.6. Have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

Adopted at the Board meeting of the Company on 12 March 2019