

Halma plc
Terms of Reference – Remuneration Committee

References to “the Committee” shall mean the Remuneration Committee.

References to “the Board” shall mean the Board of Directors.

Reference to “the UK Corporate Governance Code” or “the Code” shall mean the 2018 UK Corporate Governance Code and for financial years beginning on or after 1 January 2025, the 2024 UK Corporate Governance Code.

1. Role

The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that:

- 1.1 Remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- 1.2 Executive remuneration is aligned to Company purpose and values and linked to delivery of the Company’s long-term strategy.
- 1.3 Subject to paragraph 1.4, in particular, the Committee shall consider:
 - 1.3.1 Remuneration policies, including base pay, long-term and short-term incentives, post-employment shareholding requirements and use of the Committee’s discretion;
 - 1.3.2 Remuneration practice and its cost to the Company;
 - 1.3.3 Recruitment, service contracts and severance policies;
 - 1.3.4 Pensions and superannuation arrangements and other benefits;
 - 1.3.5 The engagement and independence of external remuneration advisers; and
 - 1.3.6 A review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.
- 1.4 The remuneration of the senior independent director and non-executive directors of the Board shall be a matter for 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.

2 Membership

- 2.1 The Committee shall comprise at least three members, all of whom are independent non-executive Directors. The Chair of the Board may also serve on the Committee as an additional member, but not Chair of the Committee, provided he or she was considered independent upon appointment.

- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Group Talent and Communications Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.
- 2.3 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Remuneration Committee. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director still meets the criteria for membership of the Committee.
- 2.4 The Board shall appoint the Committee Chair who shall be an independent non-executive Director, who before such appointment, should have served on a Remuneration Committee for at least 12 months. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these Terms of Reference to be appointed to that position by the Board.
- 2.5 The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

3 Secretary

- 3.1 The Company Secretary or their nominee shall act as the Secretary of the Committee and provide all necessary support to the Committee, including minuting meetings and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the relevant issues.

4 Quorum

- 4.1 The quorum necessary for the transaction of business shall be two members present in person or by audio or video conference. 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 in or exercisable by the Committee.

5 Frequency of Meetings

- 5.1 The Committee shall meet at least twice a year and otherwise as required.

6 Attendance at meetings

- 6.1 No person (including Directors, the Chair or Senior Executive of the Company) shall participate at a meeting of the Committee (or during a relevant part thereof) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.

7 Notice of Meetings

- 7.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair.

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 later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7.3 Notices, agendas and supporting papers can be sent in electronic form.

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, 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 on an item of business, that member shall not be permitted to vote on that item.

8.3 Except where he or she has a personal interest, the Committee Chair shall have a casting vote.

8.4 The Committee Chair may ask any attendee of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

9 Minutes of Meetings

9.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

9.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

9.3 Minutes of Committee meetings shall be agreed with the Committee Chair and then circulated to all members of the Committee and, once agreed, to all other members of the Board, unless a conflict of interest exists.

9.4 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

10.1 The Chair of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

11 Duties

The Committee shall carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

11.1. Remuneration policy and practices

- 11.1.1 Determine and agree with the Board the framework or policy for remuneration and benefits, including pension rights and compensation payments of the Company's Chair, Chief Executive, executive Directors, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of the non-executive Directors shall be a matter for the Board. No Director or senior manager shall be involved in any decisions as to their own remuneration;
- 11.1.2 Recommend and monitor the level and structure of remuneration for senior management;
- 11.1.3 Subject to paragraph 11.5.2, in determining the remuneration policy, take into account:
 - 11.1.3.1.1 all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and other associated regulatory and investor guidance;
 - 11.1.3.1.2 the need to promote the long-term sustainable success of the Company and the alignment to the Company's purpose and values, without paying more than is necessary, having regard to the views of shareholders and other stakeholders, and ensuring that executive Directors, the Company Secretary and Senior Executives are rewarded in a fair and responsible manner, provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
 - 11.1.3.1.3 the strategy of the Company and how the policy reflects and supports the long-term strategy;
 - 11.1.3.1.4 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; and
 - 11.1.3.1.5 any shareholding requirements, including vesting and holding periods, and any post-employment shareholding requirements for executive Directors, the Company Secretary and Senior Executives that encompass both unvested and vested shares;
- 11.1.4 When determining executive Director remuneration policy and practices, address the following factors set out in Provision 40 of the Code:
 - 11.1.4.1 clarity;
 - 11.1.4.2 simplicity;
 - 11.1.4.3 risk;
 - 11.1.4.4 predictability;

11.1.4.5 proportionality; and

11.1.4.6 alignment to culture;

11.1.5 When determining remuneration schemes and the remuneration policy for Directors and executive management, be cognisant of remuneration and employment conditions elsewhere in the group and take them into account when determining remuneration and consider the use of discretion in overriding formulaic outcomes;

11.1.6 Take care to recognise and manage conflicts of interest, in particular, when receiving advice from members of the executive team;

11.1.7 Review at least annually, the ongoing appropriateness and relevance of the remuneration policy and consult with significant shareholders, as appropriate, on the policy or any other aspects of remuneration;

11.1.8 Within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive as appropriate, determine the total individual remuneration package of the Chair and each element of the total individual remuneration package of each executive Director, Company Secretary and other designated senior executives including:

11.1.8.1 base salary;

11.1.8.2 participation in share option and long term incentive awards including consideration of the use of bonus deferral, minimum retention periods post vesting and minimum shareholding guidelines;

11.1.8.3 pension arrangements, including the level of contributions by the Company; and

11.1.8.4 other bonuses and benefits in cash or in kind;

11.1.9 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;

11.1.10 Exercise any discretion or judgement on remuneration outcomes in accordance with any incentive schemes and the remuneration policy, taking account of company and individual performance, and wider circumstances; and

11.1.11 Agree the policy for authorising claims for expenses from the Directors.

11.2 Share based remuneration and bonus arrangements

11.2.1 Recommend for approval by the Board, the design of, and determine targets for, the operation of all performance-related pay schemes operated by the Company in which executive Directors, the Company Secretary and Senior Executives participate including the total annual payments made under such schemes;

- 11.2.2 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, aligned to the Company purpose and values, and clearly linked to the successful delivery of the Company's long-term strategy and enhancement of shareholder value;
- 11.2.3 Consider whether the executive Directors, the Company Secretary and Senior Executives should be eligible for annual bonuses;
- 11.2.4 Recommend for approval by the Board the design of, and determine annual targets and key performance indicators (KPIs) for, any bonus scheme operated by the Company and assess performance against targets and KPIs, by the Company, individual executive Directors, the Company Secretary and Senior executives;
- 11.2.5 Exercise independent judgement and discretion when authorising outcomes under all incentive arrangements, taking account of Company and individual performance, and wider circumstances;
- 11.2.6 Design and invoke any agreed safeguards and a policy which allows the Company, in specified circumstances, to clawback sums paid or withhold the payment of any sum or share awards, to protect against rewards in the event of misstatement, misconduct or error and to ensure any performance-related payments reflect actual achievements; and
- 11.2.7 Review the design of all share incentive plans for approval by the Board and shareholders and ensure they are aligned to the Company's risk policies and systems, its purpose and values, support the strategy and promote long-term sustainable success. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive Directors, Company Secretary and other designated senior executives and that the performance measures and targets used be transparent, stretching and rigorously applied.

11.3 Pensions

- 11.3.1 Examine and review the policy for, and scope of, pension arrangements for each executive Director and other designated senior executives and consider:
 - 11.3.1.1 the alignment of pension contribution rates, or payments in lieu, for executive Directors with those available to the workforce; and
 - 11.3.1.2 the pension consequences and associated costs to the Company of basic salary increases and any other changes in pensionable remuneration or contribution rates, particularly for directors close to retirement, when compared with workforce arrangements.

11.4 Service contracts and severance

- 11.4.1 Approve the terms of the service contracts, the duration of which shall not exceed one year's notice period for executive Directors, and any material amendments to those contracts;

- 11.4.2 Determine the policy for, and scope of, termination payments and compensation commitments for each executive director and ensure that poor performance is not rewarded and that there is a clear policy to link non-contractual payments to performance; and
- 11.4.3 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 recognised fully.

11.5 Workforce remuneration and related policies

- 11.5.1 Review workforce remuneration and related policies and the alignment of the incentives of rewards with culture;
- 11.5.2 When setting the policy for executive Director remuneration, take into account the matters in paragraph 11.5.1;
- 11.5.3 Engage with the workforce annually to explain how decisions on executive pay reflect wider company pay policy; and
- 11.5.4 Oversee any major changes in remuneration and employee benefits structures throughout the Company.

11.6 Remuneration consultants

- 11.6.1 To help it to fulfil its obligations and 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, but the Committee should avoid designing pay structures based solely on benchmarking to the market or the advice of remuneration consultants; and
- 11.6.2 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

11.7 Shareholder approval

- 11.7.1 Produce a report to shareholders annually on matters relating to Executive remuneration that shall include the disclosure of information required to be disclosed by the Companies Act 2006, (including any regulations made under that Act), the UK Corporate Governance Code, the Listing Rules (as published by the Financial Conduct Authority) and any other relevant statutory, regulatory or governance codes and incorporate:
 - 10.7.1.1 an annual statement by the Committee's Chair and annual report on directors' remuneration (together, annual remuneration report); and
 - 10.7.1.2 the directors' remuneration policy when it must be submitted for approval in accordance with paragraph 11.7.2 (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;

11.7.2 Submit the directors' remuneration policy for approval (subject to a binding vote) by the Board and Shareholders:

11.7.2.1 every three years;

11.7.2.2 in any year in which there is a change to the policy;

11.7.2.3 if shareholder approval was not obtained when last submitted; and

11.7.2.4 if majority shareholder approval was not achieved on the last submitted annual remuneration report;

11.7.3 Submit the annual remuneration report for approval (on an advisory basis) by the Board and Shareholders at the Annual General Meeting each year; and

11.7.4 Subject to delegation of authority by the Board, engage in appropriate discussions as necessary with shareholders if, 20 per cent. Or more of votes have been cast by shareholders against a resolution to approve the annual remuneration report of directors' remuneration policy or any long-term incentive scheme at any Annual General Meeting or General Meeting, as the case may be, and agree with the Board any appropriate disclosure, including in the Annual Report.

11.8 Other matters

11.8.1 Keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;

11.8.2 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;

11.8.3 consider such other matters as are referred to the Committee by the Board; and

11.8.4 work and liaise as necessary with all other Board Committees.

12 Reporting Responsibilities

12.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

12.2 The Committee shall:

12.2.1 Report to the Board on workforce reward, incentives and conditions, and support the Board's monitoring of the alignment of Company policies and practices with culture and strategy;

- 12.2.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 12.2.3 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;
- 12.2.4 Prepare a formal report for Shareholders to be incorporated in the Company's Annual Report that shall include the matters referred to in paragraph 11.7.1 and ensure that it is submitted for approval in accordance with paragraph 11.7.2 above;
- 12.2.5 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 or individual directors;
- 12.2.6 Ensure, through the Chair of the Board, that the Company maintains contact, and the Committee Chair seeks engagement, as required, with the Company's major Shareholders on significant matters related to the Committee's areas of responsibility;
- 12.2.7 Prepare and adopt a report on the Committee's work and activities for inclusion in the Company's Annual Report setting out:
 - 12.2.7.1 the number of meetings of the Committee and individual attendance by the Members;
 - 12.2.7.2 the matters listed in Provision 41 of the Code and other information recommended by the Code; and
 - 12.2.7.3 make publicly available the Committee's terms of reference by placing them on the Company's website.

13 General

The Committee shall:

- 13.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 13.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 13.3 Give due consideration to laws and 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 provisions of the relevant UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association and the National Association of Pension Funds and any other applicable guidance, as appropriate;

- 13.4 Work and liaise as necessary with all other Board Committees, including the Nomination Committee in respect of any remuneration package to be offered to any new appointee of the Board; and
- 13.5 Arrange for periodic reviews of its own performance, 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.

14 Authority

- 14.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties;
- 14.2 Be responsible exclusively for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and to obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;
- 14.3 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any other outside legal or professional advice within its own terms of reference;
- 14.4 Secure the attendance of external advisers at its meetings if it considers this necessary; and
- 14.5 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.