

LOOKERS PLC (PLC)
THE REMUNERATION COMMITTEE
TERMS OF REFERENCE

(as adopted by the Board of Directors of Lookers plc (PLC Board) on 1st October 2019
and amended on 17 December 2020

1 Membership

- 1.1 Members of the Remuneration Committee shall be appointed by the PLC Board on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Remuneration Committee shall be made up of at least three members. All members shall be independent non-executive Directors of PLC. The PLC Chairman may also serve on the Remuneration Committee as an additional member if he is considered independent but cannot chair the Committee.
- 1.2 Only members of the Remuneration Committee have the right to attend Remuneration Committee meetings. The Chief Executive Officer and Chief Risk Officer shall attend by invitation. Other Directors and other individuals (including representatives of external advisers) may be invited to attend for all or part of any meeting as and when appropriate in the opinion of the Remuneration Committee's Chairman or the majority of its members.
- 1.3 Appointments to the Remuneration Committee shall be for a period of up to three years (subject to the election and re-election provisions in PLC's constitution and in the UK Corporate Governance Code (**Code**)), which may be extended for two further periods of up to three years each, provided the Director concerned (other than the Chairman of the PLC Board, if he is a member of the Remuneration Committee) remains "independent" for the purposes of the Code.
- 1.4 The PLC Board shall appoint the Remuneration Committee Chairman who shall be an independent non-executive Director who has served on a remuneration committee for at least twelve months prior to appointment. In the absence of the Remuneration Committee Chairman, the remaining members present shall elect one of themselves who is an independent Director to chair the meeting. The Chairman of the PLC Board shall not be Chairman of the Remuneration Committee.
- 1.5 At least one member of the Committee shall also sit on the Audit and Risk Committee.

2 Secretary

The Company Secretary, or any other person selected for the task by the Remuneration Committee, shall act as the Secretary of the Remuneration Committee.

3 Quorum

The quorum necessary for the transaction of business shall be three. A duly convened meeting of the Remuneration 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 Remuneration Committee.

4 Frequency of Meetings

The Remuneration Committee shall meet four times a year and at such other times as the Chairman of the Remuneration Committee or any member of the Remuneration Committee shall require.

5 Notice of Meetings

5.1 Meetings of the Remuneration Committee shall be called by the Secretary of the Remuneration Committee at the request of the Chairman of the Remuneration Committee or any of its members.

5.2 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 Remuneration Committee, any other person required to attend and all other non-executive Directors, no later than five business days before the date of the meeting.

5.3 The Secretary shall ensure that each member of the Remuneration Committee (and each other attendee as appropriate) receives information and papers no later than five business days before the date of the meeting to enable proper consideration to be given to issues.

6 Minutes of meetings

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

6.2 Draft minutes of Remuneration Committee meetings shall be circulated promptly to all members of the Remuneration Committee within five business days of the meeting. Once approved, minutes should be circulated to all other members of the PLC Board, other than where, in the opinion of the Remuneration Committee Chairman, it would be inappropriate to do so.

7 Annual General Meeting

The Chairman of the Remuneration Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Remuneration Committee's activities. The Chairman of the Remuneration Committee may make a statement at the annual general meeting on the activities and achievements of the Committee during the year.

8 Duties

8.1 The Remuneration Committee should carry out the duties detailed below for PLC, all subsidiaries and the group as a whole, as appropriate. In carrying out these duties, the members of the Remuneration Committee must comply with their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the relevant company for the benefit of its members as a whole, whilst having regard to the interests of employees, stakeholders and other matters as required by section 172.

8.2 The Remuneration Committee shall:

- (a) have responsibility for setting, and seeking shareholder approval at least every three years for, the remuneration policy for all executive directors who are members of the PLC Board ("Executive Directors") and the Chairman of the PLC Board, including the terms of their service agreements or other contractual arrangements, pension rights

and any compensation payments. When setting the policy, the Remuneration Committee shall specifically address the issues set out in Provision 40 of the Code. The PLC Board itself, or where required by PLC's constitution, the shareholders should determine the remuneration of non-executive Directors within the limits set by PLC's constitution which should reflect the time commitment and responsibilities of the role. No Director or senior manager shall be involved in any decisions as to his own remuneration;

- (b) set thresholds for the level of remuneration for senior management;
- (c) approve the level and structure of remuneration for senior management and other designated individuals¹
- (d) set the level of remuneration for Executive Directors in accordance with the remuneration policy as approved by shareholders;
- (e) in determining the remuneration policy for Executive Directors, take into account all factors (both internal and external) which it deems necessary, including relevant legal and regulatory requirements, the Code and associated guidance;
- (f) when setting the remuneration policy for Executive Directors, review and take into account workforce remuneration and related policies and the alignment of incentives and rewards with culture; and (i) set out in the remuneration policy report how pay and employment conditions of employees generally were taken into account when setting the remuneration policy and whether and, if so, how PLC consulted with employees when drawing up the policy; and (ii) set out in the annual report on remuneration what engagement has taken place with the workforce to explain how executive remuneration aligns with wider company pay policy;
- (g) ensure that all remuneration payments made to any Director are consistent with the remuneration policy approved by PLC's shareholders;
- (h) review the ongoing appropriateness and relevance of the remuneration policy, in particular in respect of the approach to recruitment, the policy on payments for loss of office and the exercise of discretion;
- (i) review the design of all share incentive plans (and such other employee share schemes as the PLC Board may delegate to the Committee from time to time) for approval by the PLC Board and (where applicable) shareholders ensuring that they promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Ensure that they include provisions that (i) enable the use of discretion to override formulaic outcomes; and (ii) allow PLC to recover sums paid and withhold the payment of any sum and specify the circumstances in which it would be appropriate to do so;
- (j) determine each year whether awards will be made under share incentive plans, and if so, the overall amount of such awards and the individual awards to Executive Directors, senior managers and other designated individuals and the performance targets to be used, and approve the payments made under such schemes (in accordance with the provision in the Code);

¹ Includes the Company Secretary, all franchise directors, all direct reports to the Chief Executive Officer and key roles within the business (for example the Group Financial Controller and senior marketing roles)

- (k) review the design of all share incentive plans (and such other employee share schemes as the PLC Board may delegate to the Committee from time to time) for approval by the PLC Board and (where applicable) shareholders ensuring that they promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Ensure that they include provisions that (i) enable the use of discretion to override formulaic outcomes; and (ii) allow PLC to recover sums paid and withhold the payment of any sum and specify the circumstances in which it would be appropriate to do so. Determine each year whether awards will be made, and if so, the overall amount of such awards and the individual awards to Executive Directors, senior managers and other designated individuals and the performance targets to be used.
- (l) Ensure that there are effective safeguards in place to ensure that remuneration policies are clearly aligned with the regulatory and other legislative requirements that the Group is required to comply with (including, where relevant, the specific regulatory obligations of all subsidiaries of the Group).
- (m) Ensure that the following items are considered in relation to the remuneration structure and policies:
 - a. material risks, liquidity and capital levels in so far as they relate to remuneration;
 - b. whether they are consistent with and promote the sound and effective risk management of the Group; and
 - c. risk appetite and tolerance..
- (n) develop a formal policy for post-employment shareholding requirements for Executive Directors encompassing both unvested and vested shares;
- (o) determine the policy for, and scope of, pension arrangements for Executive Directors and other designated individuals, decide if only base salary is pensionable and ensure that the pension contribution rates for Executive Directors, or payments in lieu, are aligned with those available to the workforce;
- (p) Ensure any payments made on termination, are fair to the individual and PLC, that poor performance is not rewarded and that the duty to mitigate loss is fully recognised and robustly enforced. Ensure that all loss of office payments made to any Director are consistent with the remuneration policy approved by PLC's shareholders;
- (q) within the terms of agreed policy and in consultation with the Chairman of the PLC Board and/or Chief Executive (as appropriate), determine the total individual remuneration package of the Executive Directors, the Chairman of the PLC Board, senior managers and other designated individuals, including, where appropriate, bonuses, incentive payments and share options or other share awards;
- (r) determine, on an annual basis, the outcome of bonuses, incentive payments and share options or other share awards on vesting, taking into account actual performance against performance targets and determining whether the Remuneration Committee should exercise its discretion to override formulaic outcomes;
- (s) oversee any major changes in employee benefits structures throughout PLC or Group;
- (t) agree the policy for authorising claims for expenses from the Directors;

- (u) be exclusively responsible for establishing the selection criteria and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee;
- (v) obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity;
- (w) ensure that independent judgement is exercised when evaluating the advice of external third parties and when receiving views from Executive Directors and senior management;
- (x) work and liaise with the PLC Board to report, manage and oversee risks in relation to remuneration strategy and approach; and
- (y) work and liaise as necessary with all other Board committees; and
- (z) Consider material issues communicated to it, including those from the Group Audit and Risk Committee, arising from the work of Internal Audit relating to matters which fall within these terms of reference, including communication of relevant internal audit findings on remuneration matters.

9 Reporting Responsibilities The Remuneration Committee Chairman shall report formally to the PLC Board on its proceedings after each meeting on all matters within its duties and responsibilities.

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

9.3 The Remuneration Committee shall ensure that the 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), the Listing Rules and the Code, are fulfilled and produce a report on PLC's remuneration policy and practices to be included in PLC's annual report and ensure that it is put to shareholders for approval at the Annual General Meeting. The report should include a description of the work of the Remuneration Committee which includes the requirements set out in Provision 41 of the Code. If remuneration consultants have been used, the Remuneration Committee shall, in addition to the disclosures required in respect of external advisers by the Regulations, identify them in its report and state whether they have any other connection with PLC and/or individual directors.

9.4 The Remuneration Committee shall ensure that PLC maintains contact as required with its major shareholders as regards remuneration matters. When setting and operating the remuneration policy for Executive Directors, the Remuneration Committee shall engage with shareholders as it considers necessary and appropriate and set out in the annual report on remuneration what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes.

10 Other

10.1 The Remuneration Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;

- (b) 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;
- (c) give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of a listed company and the formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus Rules and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association and the Pensions and Lifetime Savings Association and any other applicable rules, as appropriate; and
- (d) arrange for periodic reviews of its own performance and, at least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the PLC Board for approval.

11 Authority

- 11.1 The Remuneration Committee is authorised by the PLC Board to seek any information it requires from any employee of PLC in order to perform its duties.
- 11.2 The Remuneration Committee is authorised by the PLC Board to obtain, at PLC's expense, outside legal or other professional advice on any matters within its terms of reference.
- 11.3 The Remuneration Committee is authorised by the PLC Board to appoint remuneration consultants and to commission or purchase any information, reports or surveys which it deems necessary to help it fulfil its obligations at the expense of PLC, but within any budgetary restraints imposed by the PLC Board.

Adopted by the Board	1 October 2019
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