



WATCHES OF SWITZERLAND GROUP PLC

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# TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

MAY 2023

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## TERMS OF REFERENCE FOR

### THE REMUNERATION COMMITTEE

The Remuneration Committee (the “Committee”) is a committee of the board of directors (the “Board”) of Watches of Switzerland Group PLC (the “Company”) from which it derives its authority and to which it regularly reports.

#### **1 MEMBERSHIP**

- 1.1 The Committee shall comprise a chair and a minimum of two members. Each Committee member shall be an independent non-executive director as determined by the Board (in accordance with the principles of the UK Corporate Governance Code 2018 (the “Code”).
- 1.2 The Board shall appoint members of the Committee, on the recommendation of the Nomination Committee, in consultation with the Committee chair. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments.
- 1.3 The Chair of the Board may be a member of the Committee, if they were considered to be independent on appointment as Chair of the Board. The Chair of the Board may not be the chair of the Committee.
- 1.4 Subject to the provisions of the Company’s articles of association and to the provisions of the letter of appointment of each director of the Company, appointments to the Committee shall be for a period of up to three years, which normally may be extended for two further three year periods, provided the director still meets the criteria for membership of the Committee.
- 1.5 The Board shall appoint the chair of the Committee from among the independent non-executive directors. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting, provided such member would qualify as Chair under the terms of reference of this Committee.
- 1.6 The Committee chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 1.7 Before appointment as Chair of the Committee, the appointee should normally have served on a remuneration committee for at least 12 months.

#### **2 SECRETARY**

The Company Secretary, or their 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.

#### **3 QUORUM**

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.

#### **4 MEETINGS**

- 4.1 The Committee shall meet at least three times a year and otherwise as required.
- 4.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, the Chief Executive Officer, Executive Directors, 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 Chair. The Committee Chair shall have the discretion to decide who, other than Committee members, shall attend and address Committee meetings.
- 4.3 No person (including directors or the Chair of the Board) 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. NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any member of the Committee.
- 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 Committee no later than five working 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, but Committee papers may be forwarded at shorter notice with the approval of the Committee chair.
- 5.3 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.

## 6. MINUTES OF MEETING

- 6.1 The Secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 6.2 Draft minutes of committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chair it would be inappropriate to do so.
- 6.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any such written resolution shall be tabled and noted at the next meeting of the Committee.

## 7. ANNUAL GENERAL MEETING AND SHAREHOLDER ENGAGEMENT

The Committee Chair should attend the annual general meeting to answer any shareholder questions on the committee's activities. The Committee Chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

## 8. OBJECTIVE

- 8.1 The objective of the Policy shall be to attract retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to the views of shareholders and other stakeholders.
- 8.2 The Policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals.

## 9. DUTIES

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

- 9.1 Determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors and setting remuneration for the Chair of the Board, the Chief Executive Officer, the Executive Directors, and the senior management including the Company Secretary, including pension rights and any compensation payments (the "Policy"). There should be a formal and transparent procedure for developing policy on executive remuneration. The definition of "Senior Management" for this purpose should be determined by the Board but should normally include the senior management and other such members of the executive management as the Committee is designated to consider.
- 9.2 The remuneration of non-executive Directors shall be a matter for the Chair of the Board and the executive members of the Board, both within the limits set out in the Company's articles of association. No Director shall be involved in any decisions as to his or her own remuneration.
- 9.3 In determining the Policy, take into account all factors which it deems necessary, including:
  - (i) any relevant legal requirements, the provisions and recommendations in the Code and the UK Listing Authority's Listing Rules, relevant guidance, and the impact of reporting requirements;
  - (ii) pay and employment conditions across the Group, especially when considering annual salary increases;
  - (iii) workforce remuneration and related policies; and
  - (iv) the alignment of incentives and rewards with the Company's purpose, culture, values and long-term strategy of the Company.

- 9.4 Review the ongoing appropriateness and relevance of the Policy taking into account the factors noted in paragraph 9.1, 9.3 and 9.17.
- 9.5 Approve the design of, and determine targets for, any performance related pay schemes for executive directors and senior management operated by the Group and approve the total annual payments made under such schemes. Performance related elements should be transparent, stretching and rigorously applied. In designing such schemes, the Committee will ensure in normal circumstances a total vesting and holding period of five years of more and should follow the remuneration policy.
- 9.6 Approve the design of, and determine targets for, any post-employment shareholding requirements for executive directors encompassing both unvested and vested shares.
- 9.7 Review the design of all new share incentive schemes (including long-term incentive schemes as defined in the Listing Rules) and significant changes to such schemes for approval, in each case, by the Board and shareholders. For any such schemes, determine each year:
- (i) whether awards will be made, and if so, the overall amount of such awards and the individual awards to each executive Director and senior management (as applicable);
  - (ii) the exercise price at which long-term incentives, share options or awards are to be granted; and
  - (iii) the performance targets to be applied.
- 9.8 Determine the policy for, and scope of, pension arrangements (if any) for each executive director and senior management and in doing so ensure that the pension contribution rates for executive directors, or payments in lieu, are aligned with those available to the workforce.
- 9.9 Ensure that contractual terms on termination, and any payments made, for directors and senior management of the Group are within the terms of the Policy.
- 9.10 Within the terms of the agreed policy and in consultation with the Chair of the Board and/or the Chief Executive Officer as appropriate, determine the total individual remuneration package of the Chair of the Board, each executive director, and senior management including bonuses, incentive payments, share options or other share awards and any compensation payments.
- 9.11 Review workforce remuneration and related policies.
- 9.12 Oversee any major changes in employee benefits structures throughout the Company or the Group.
- 9.13 Review the Policy for authorising claims for expenses from the Directors.
- 9.14 Ensure that all provisions regarding disclosure of remuneration, are fulfilled (including the requirements of the Code and relevant legislation).
- 9.15 Be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee but within any budgetary constraints of the Board.
- 9.16 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity, with a view to judging where to position the Company relative to other companies.
- 9.17 When determining Policy and practices, the Committee should address the following:
- Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
  - Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
  - Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
  - Predictability: the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
  - Proportionality: the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and
  - Alignment to culture: incentive schemes should drive behaviours consistent with the Company purpose, values and long-term strategy.

## 10 REPORTING RESPONSIBILITIES

- 10.1 The Committee chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee seek shareholder approval on any changes to the directors' remuneration policy, at least every three years and in accordance with legislative requirements.
- 10.4 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce a remuneration report to be included in the company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the Committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 10.5 Through the Chair of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.
- 10.6 The Committee Chair, or an alternate member of the Committee will attend the AGM prepared to respond to any shareholder questions on the Committee's activities.

## 11 OTHER MATTERS

- 11.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 11.2 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.
- 11.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non-listed companies and 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 and Disclosure and Transparency Rules as well as guidelines published by major shareholders or their representative bodies and any other applicable Rules, as appropriate.
- 11.4 Arrange for periodic reviews of the Committee's 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.

## 12 AUTHORITY

The Committee is authorised by the Board to:

- 12.1 obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.
- 12.2 investigate any activity or state of affairs within its terms of reference.
- 12.3 seek any information it requires from any employees or officers. In seeking any advice or assistance from any of the Company's executives, to ensure that such role is clearly separated from the executive's role within the business.
- 12.4 delegate any of its powers to one or more of its members or the Secretary.

These terms of reference shall be made available on the Group's website [www.thewosgroupplc.com](http://www.thewosgroupplc.com)

Approved by the Watches of Switzerland Group PLC Board on 4 May 2023