

GRAINGER PLC (Grainger or Company)

REMUNERATION COMMITTEE (Committee)

TERMS OF REFERENCE

Terms of Reference

The UK Corporate Governance Code (**Code**) published by the Financial Reporting Council (**FRC**) in January 2024 provides that:

“Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company’s long-term strategy.”
(Principle P)

“A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.” (Principle Q)

“Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.”
(Principle R)

A copy of the Code is available at UK Corporate Governance Code 2024. Copies of the Code together with associated guidance can also be obtained from the Company Secretary.

1 Membership

- 1.1 The Committee shall be made up of at least three members, all of whom shall, in the opinion of the Board, be independent non-executive directors. All appointments to the Committee shall be made by the Board.
- 1.2 All members of the Committee shall be non-executive directors who are independent in the opinion of the Board. The Chair of the Board may also be a member of the Committee if they were considered independent on appointment as Chair of the Board but may not chair the Committee.
- 1.3 The Board shall appoint the Committee Chair who should be an independent non-executive director. Before appointment as Committee Chair, the appointee must have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair the members of the Committee present shall elect one of their number to chair the meeting.
- 1.4 Appointments to the Committee shall be for a period the Board shall determine from time to time, provided that the majority of the Committee members remain independent and continue to meet the criteria for membership.

2 Secretary

- 2.1 The Company Secretary or their nominee shall act as the secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3 Quorum

- 3.1 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, power and discretion vested in or exercisable by the Committee.

4 Frequency of meetings

- 4.1 Add The Committee shall meet at least twice a year and at such times as the Committee Chair or the Committee members shall require.

5 Attendance at meetings

- 5.1 Except as otherwise provided, no one other than the Committee members shall be entitled to attend Committee meetings, and the Committee shall have the discretion to decide who, other than its members, shall attend its meetings.
- 5.2 As and when appropriate and necessary, the Chair of the Board (if not a member of the Committee), other non-executive directors, the CEO, the Company Secretary, the Chief People Officer or other persons, and external advisers may attend meetings at the invitation of the Committee.

6 Voting

- 6.1 Decisions of the Committee will be made by majority vote. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting.
- 6.2 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.
- 6.3 In the event of any equality of votes, save where they have a personal interest, the Committee Chair will have a second or casting vote.

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 and any other person required to attend, no later than three working days before the date of the meeting. Any supporting papers shall be sent to Committee members and to other attendees (as appropriate), at the same time.
- 7.3 Meetings may, particularly if required on short notice, be held by telephone or any other method of communication approved by the Committee Chair.

8 Minutes of meetings

- 8.1 The secretary shall minute the proceedings and resolutions of all Committee meetings including the names of those present and in attendance.
- 8.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all the members of the Board, unless in the opinion of the Committee Chair it would be inappropriate to do so.

9 Engagement with shareholders

- 9.1 The Committee Chair shall attend the annual general meeting and be available to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair shall seek shareholder engagement with shareholders on significant matters related to the Committee's areas of responsibility.

10 Duties

The duties of the Committee shall as detailed in this section 18.

10.1 Remuneration Policy (Policy)

- a) Determine the remuneration policy for the Chair of the Board of the Company, Executive Directors, Executive Board members and other designated senior management including the Company Secretary. The remuneration of the Non-Executive Directors shall be a matter for the Chair of the Board and Executive Directors and shall be within the limits set out in the Articles of Association. No Director, Executive Board member or senior manager shall be involved in any decisions as to their own remuneration. If the Chair of the Company serves on the Committee as an additional member, they shall not be involved in any decision as to their own remuneration.
- b) Propose to the Board a Directors' Policy for approval by shareholders at a general meeting.
- c) In determining the Policy and remuneration practices, take into account all factors which it deems necessary including:
 - i. relevant legal and regulatory requirements;
 - ii. the provisions and recommendations of the UK Corporate Governance Code (including the requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture) and associated guidance;
 - iii. alignment to Company purpose and values and the link to the successful delivery of the Company's long-term strategy and long-term shareholder interests;
 - iv. the business strategy of the Company and the Group and how the policy supports the strategy and promotes long-term sustainable success;
 - v. workforce remuneration and related policies and the alignment of incentives and rewards with culture;
 - vi. feedback from the engagement process with employees;
 - vii. an appropriate balance between fixed and performance related remuneration, immediate and deferred remuneration (including releasing share awards on a phased basis);
 - viii. the Company's risk appetite (including in respect of reputational and behavioural risk) and risk management strategy ensuring that the

remuneration policy is aligned to the Company's risk policies and systems and long term sustainable success;

- ix. the transparency of the performance-related elements, ensuring they are stretching, fairly administered and rigorously applied;
 - x. that remuneration policies and practices enable the use of discretion to override formulaic outcomes; and
 - xi. the malus and clawback provisions applying to the annual bonus scheme and share based remuneration schemes to recover and/or withhold sums or share awards under appropriate specified circumstances.
- d) Review the on-going appropriateness and relevance of the Policy having regard to remuneration trends externally.
- e) Within the terms of the agreed Policy and in consultation with the Chair of the Board and/or CEO, as appropriate, to determine the total individual remuneration package of the Chair of the Board, each Executive Director, each Executive Committee member and other designated senior management including base salary, pension arrangements, benefits, profit sharing, bonuses, incentive schemes, share options or other share awards and arrangements or payments in connection with the individual's appointment.

10.2 Pensions

- a) Determine the policy for, and scope of, pension arrangements for each Executive Director, Executive Board members and other designated senior management, taking into account pension arrangements for the wider workforce. The pension contribution rates for Executive Directors, or payments in lieu, should be aligned with those available to the workforce.

10.3 Bonus and Share Based Remuneration

- a) Review the design of all bonus schemes and long-term incentive schemes for approval by the Board and, where required, shareholders.
- b) Determine the targets applicable to any bonus in which Executive Directors and other designated senior management participate.
- c) Determine each year whether long-term share incentive awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other designated senior management and the performance targets to be used.
- d) Monitor and assess performance against targets for annual bonus and share incentive schemes and determine the payouts to individual Executive Directors and other senior management under such schemes. The Committee shall exercise independent judgement and discretion when authorising remuneration outcomes, taking into account Company and individual performance, and wider circumstances.
- e) Design and invoke safeguards, such as malus and clawback provisions, applying to annual bonus and share based remuneration schemes to protect against rewarding failure through the recovery and/or withholding of sums or share awards under appropriate specified circumstances.

- f) Establish remuneration schemes that promote long-term shareholding by Executive Directors that support alignment with long-term shareholder interests, with share awards subject to a total vesting and holding period for at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
- g) Receive and, if thought appropriate, approve recommendations from the Responsible Business Committee on any environmental, social and/or governance (ESG) related targets to be included as part of the overall performance targets for Executive remuneration.

10.4 Service Contracts, Appointments and Severance

- a) Approve the terms of the service contracts for Executive Directors (under which the duration of notice periods shall not normally exceed one year) and any material amendment to those contracts.
- b) Approve the total individual remuneration package on appointment for any Executive Director or other designated senior management including base salary, pension arrangements, benefits, profit sharing, bonuses, incentive schemes, share options or other share awards and arrangements or payments in connection with the individual's appointment.
- c) Ensure that contractual terms on termination, and any arrangements or payments in connection with the individual's cessation of office or employment (including the terms of settlement agreements or similar), are fair to the individual and the Company, that failure is not rewarded, the duty to mitigate loss is fully recognised and that any payments are consistent with the latest approved Policy.

10.5 Remuneration Consultants

- a) Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. 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 at the expense of the Company to help inform decisions regarding remuneration.
- 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.
- c) Exercise independent judgement when considering advice provided by remuneration consultants.

10.6 The Committee shall consider such other matters as may be requested by the Board.

11 Reporting responsibilities

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

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

- 11.3 The Committee will ensure each year that the appropriate shareholder approvals are sought at the AGM/a general meeting (as appropriate).
- 11.4 The Committee shall produce a report for inclusion in the Company's Annual Report about its activities, including ensuring that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (as amended from time to time) and the Code, are fulfilled including:
- a) a statement from the Committee Chair providing a summary of the Company's remuneration policy and the annual report on remuneration;
 - b) a report of the Company's Policy and practices in the relevant financial year and how the Company intends to implement the Policy in the current financial year; and
 - c) if shareholder approval is being sought, the Company's Policy.
- 11.5 The Committee shall submit the Policy for approval on a binding basis:
- a) at least every three years;
 - b) in any year in which there is a change to the Policy;
 - c) if shareholder approval was not obtained when last submitted; and
 - d) if majority shareholder approval was not achieved on the last submitted Annual Remuneration Report;
- 11.6 If the Committee has appointed remuneration consultants, the annual remuneration report of should identify such consultants and state whether they have any other connection with the Company together with details of the fees incurred.

12 Other matters

- 12.1 The Committee shall:
- a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat 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 ongoing basis for all members; and
 - c) at least once a year, review its 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.
- 12.2 The Committee shall also 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 the Investment Association, Glass Lewis and Institutional Shareholder Services and any other applicable rules, as appropriate.

13 Authority

13.1 The Committee is authorised by the Board to:

- a) undertake any activity relevant to its terms of reference;
- b) seek any information it requires from any employee of the Company in order to perform its duties, and request the attendance of any employee to be questioned at a meeting of the Committee as and when required; and
- c) obtain, at the Company's expense, outside legal or other independent professional advice, at the Company's expense, on any matter within its terms of reference, and seek the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Document Approval

Reviewed by the Remuneration Committee on 29 September 2025 and approved by the Board on 30 September 2025 with effect from 1 October 2025.