

# Terms of Reference

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# Terms of Reference - Remuneration Committee

## Constitution

1. The Board has resolved to establish a Committee of the Board to be known as the Remuneration Committee.

## Membership and Quorum

2. The Committee shall consist wholly of independent non-executive Directors appointed by the Board. The Committee shall consist of not less than three members. A quorum shall be two members.
3. The membership of the Committee shall be reviewed on an annual basis by the Nomination Committee.
4. The Chairman of the Committee shall be appointed by the Board.

## Attendance at Meetings

5. The Chief Executive and Group Director of Human Resources shall normally be invited to attend meetings. No Director or employee shall be present when his own remuneration is discussed.
6. The Company Secretary shall be the Secretary of the Committee but shall not be present during discussion of the Company Secretary's remuneration.

## Frequency of Meetings

7. Meetings shall be held whenever the Chairman of the Committee deems it necessary but not less than once a year.

## Duties

8. The duties of the Committee shall be:

8.1.1 To determine and agree the remuneration of and approve the terms of any contract/consultancy arrangements with the Chairman of the Board;

8.1.2 To determine Company policy for executive remuneration generally taking into account the need to attract, retain and motivate executive Directors and senior executives of the right quality and to avoid paying more than is required whilst having regard to performance-related elements of remuneration generally forming a significant proportion of their total remuneration package;

8.1.3 To determine from time to time all elements of the remuneration and conditions of contract for executive Directors and senior managers who report directly to the Chief Executive together with any exceptionally high remuneration arrangements for other employees. Remuneration shall include, but not exclusively:

- the base salary
- profit sharing, and specific incentive remuneration schemes/arrangements
- participation in share option schemes and share ownership plans
- payments in respect of consultancy services
- pension arrangements and the level of contributions by the Company
- other bonuses and benefits in cash or kind.

8.1.4 To approve the design of any Group incentive plan and weighting/measures for Divisional incentive programmes;

8.1.5 To approve the setting up of or change to pension scheme rules or benefits or post employment benefits;

8.1.6 To approve the terms of any contract with an executive Director, including but not limited to service contracts and consultancy contracts and the duration thereof which should not normally exceed one year's notice period or which should reduce to one year after an initial period, ensuring that the Committee has considered the financial consequences of early termination and the advantages of providing explicitly in the initial contract for specific compensation commitments except in the case of removal for misconduct;



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8.1.7 To confirm annually that notice should not be given in respect of any rolling service contract;

8.1.8 To approve any compensation arrangements resulting from the early termination of the service contract of an executive Director aiming to avoid rewarding poor performance and to take account of the Director's obligation to mitigate loss.

## Executive Schemes

8.1.9 To consider and resolve upon all grants of options under the Company's executive share option schemes (including phantom schemes) and share ownership plans, taking into account the views of the executive Directors and ensuring that options are not offered at a discount save as permitted by the UKLA Listing Rules;

To decide any dispute or question relating to an Option or the exercise thereof;

To exercise discretion to determine if and on what terms a Participant may exercise Options after he has ceased to be in full time service for reasons other than those specified in the relevant scheme rules which could automatically permit exercise after termination;

8.1.10 To make any decisions that are required under the Rules of any of the Company's share option schemes (including phantom or share ownership plans) or the Guidelines of the Investor Committees, to be made by a body consisting of a majority of independent non-executive Directors;

To make such alterations or additions to the Rules as do not require shareholders' consent as it considers necessary or desirable subject to the limits set out in the relevant scheme rules.

## Sharesave

8.1.11 To consider and resolve upon all grants of options under the Company's sharesave schemes, including, but not limited to deciding upon whether options should be granted at a discount, taking into account the views of the executive Directors;

8.1.12 To approve the appointment of savings carrier/administrator for sharesave schemes;

8.1.13 To decide any dispute or question relating to an Option or the exercise thereof;

8.1.14 To draft for approval by the Board a statement of the Company's remuneration policy and details of the remuneration for each executive Director to be included in the Annual Report, ensuring that disclosures about remuneration, including pensions, which are required by law, (including the Directors' Remuneration Report Regulations 2002 or the Listing Rules), are made.

The Chairman of the Committee shall attend the Company's Annual General Meeting to answer questions about Directors' remuneration and the Chairman of the Board should ensure that the Company maintains contact with its principal shareholders about remuneration in the same way as for other matters.

## In carrying out its duties the Committee shall:

8.2 Be aware of what comparable companies pay taking account of the relative performance of these companies and the Company;

8.2.1 Ensure, with the help of information provided from external sources and from sources within the Company, that the base salary element is competitive and fair, reflecting each Director's or senior manager's responsibilities, experience, performance and market value;



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8.2.3 Ensure that the formulae for any short and longer term incentive schemes support the achievements of business objectives and provide a motivating reward to executive Directors/senior managers for outstanding achievement taking into account:

- the achievability of the target
- justifiability in terms of the Company's performance
- the corresponding returns on the shareholders' investment over the same period
- the provisions of the Combined Code including in particular Schedule A of the Code.

8.2.4 Ensure that any awards under the Company's executive share option schemes/share ownership plans are consistent with the Company's overall performance and comply with statutory and listing requirements, consideration being given to investor committee recommendations;

8.2.5 Provide an objective and independent assessment of the benefits granted to executive Directors;

8.2.6 Consider, annually, whether the circumstances are such that the shareholders in general meeting should be invited to approve the remuneration policy set out in their report, ensuring that the conclusions of the Committee are minuted.

## Consultation

9. The Committee shall consult the Chairman and/or Chief Executive about its proposals relating to the remuneration of other executive Directors.

## Authority

10. The Committee is authorised by the Board, at the Company's cost:

- to obtain such information as it considers appropriate, including relevant information about remuneration in other companies, either from within or outside the Company
- to commission external surveys
- to engage independent remuneration consultants and advisers with relevant experience and expertise if it considers this necessary.

11. The Committee is authorised to seek any information it requires from any employee and in that respect all employees shall be directed to meet any request made by the Committee. The Group Director of Human Resources shall provide such support to the Committee as may be required by the Chairman of the Committee.

## Conflict of Interests

12.1 The non-executive Directors shall play no part in deciding their own remuneration which shall be decided by the Board.

12.2 The Chairman and non-executive Directors shall not participate in any employee benefit or share option scheme or share ownership plan.



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## Reporting Procedures

13. Agendas and papers for meetings will normally be circulated by the Company Secretary at the direction of the Chairman of the Committee at least five days before the meeting. All non-executive Directors whether or not members of the Committee will receive copies of the agenda and papers for a meeting.

14. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

15. The Chairman of the Committee shall provide at the next Board meeting an oral report on each meeting of the Committee.

16. The Committee shall report on its responsibilities and activities and the frequency of, and attendance by members at, Committee meetings in the Annual Report.

17. The terms of reference of the Committee, including its role and the authority delegated to it by the Board, shall be made available.

## Other Matters

The Committee shall:

- have access to sufficient resources in order to carry out its duties
- be provided with appropriate and timely training
- at least once a year review its own performance, constitution and terms of reference.

Approved by the Board of Directors of De La Rue plc on 22 March 2007

