

# Remuneration Committee Terms of Reference

## Constitution

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

## Purpose

2. The Committee has full power and authority to determine and agree with the Board the Company's policy on the remuneration of executive directors, the Chairman and senior management (as defined by the Board) and determine specific remuneration packages (including pension rights) and compensation packages on employment or termination of office for each of the executive directors of the Company and senior management.

## Membership

3. The Committee shall be appointed by the Board exclusively from amongst the independent non executive directors of the Company. The Committee shall consist of at least three members. A quorum shall be two members.

4. The Chairman of the Committee shall be appointed from the members of the Committee by the Board. The Chairman of the Board shall not be a member of the Committee. The Chairman of the Committee (or another member of it) should be available to answer questions on directors' remuneration principles and practice at the Annual General Meeting of the Company.

5. Committee members will normally serve for a period of three years extendable by no more than two additional three-year periods unless the Board otherwise determines, subject to the members' retirement as directors by rotation in accordance with the terms of the Company's Articles of Association and the provisions of the Combined Code on Corporate Governance.

6. The members of the Committee shall be identified in the Board's Remuneration Report to Shareholders.

7. Each member of the Committee shall disclose to the Committee:

(a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or

(b) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

### **Meetings**

8. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive; the Group Director HR; Company Secretary and external advisors may be invited to attend for all or part of any meeting as appropriate.

9. The Committee shall appoint the Company Secretary to be Secretary to the Committee.

10. Meetings may be held by telephone.

11. Meetings shall be held as and when appropriate, but at least annually and usually four times per year, normally before or after regular meetings of the full Board.

12. Papers will normally be circulated at least 4 working days prior to a meeting.

13. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board, unless a conflict of interest exists.

14. The Committee Chairman shall report formally to the Board on its proceedings after each meeting.

15. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

### **Authority**

16. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee.

17. The Committee is authorised by the Board to obtain internal or external independent professional advice at the cost of the Company, including obtaining advice from third parties with relevant experience and expertise in connection with the matters within these terms of reference. The Committee shall follow the "Guidelines for Seeking Independent Professional Advice" adopted by the Board.

18. The Committee shall not:

- (i) discuss, or pass resolutions in respect of, the remuneration of, or the terms of any consultancy agreement with, any non executive director (other than the Chairman) which shall be a matter for the Board itself, subject to the provisions of the Articles of Association of the Company;
- (ii) determine any other matter which the Board shall advise the Committee is reserved to be determined by the Board itself.

### **Duties**

19. The duties of the Remuneration Committee shall be:

- (a) to determine and agree with the Board, the Company's policy and framework for executive director and the Chairman's remuneration and its cost;
- (b) on behalf of the Board, determine specific remuneration packages for each of the executive directors and senior management including basic salary, any benefits in kind, any annual bonuses, participation in any share option schemes, pension rights and any compensation payments and to regularly review and monitor the potential value of new packages;
- (c) to agree the terms of appointment and termination of any executive director or other members of senior management and establish a policy on directors' contracts and termination arrangements;
- (d) to consult with the Chairman of the Board and/or Chief Executive about their proposals relating to the remuneration of other executive directors and senior management;
- (e) to review and note annually the remuneration trends across the Company;
- (f) to agree any shareholding guidelines for executive directors and senior management;
- (g) to agree the policy for authorising claims for expenses from the Chief Executive and Chairman; and
- (h) to be responsible for the selection and terms of reference of any external consultants advising the Committee.

20. In appointing members of the Remuneration Committee the Board, and in carrying out its duties under these terms of reference, the Remuneration Committee, should have regard to the terms of the Combined Code (set out in the Listing Rules of the UK Listing Authority) (the Listing Rules) which provide that the Remuneration Committee should:

(a) provide the packages needed to attract, retain and motivate executive directors of the quality required, but should avoid paying more than is necessary for this purpose;

(b) judge where to position the Company relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance. But it should use such comparisons with caution, in view of the risk that they can result in an upward ratchet of remuneration levels with no corresponding improvement in performance;

(c) be sensitive to the wider scene, including pay and employment conditions elsewhere in the Company and in each of its group undertakings, especially when determining annual salary increases;

(d) ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive directors and should be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels;

(e) consider what compensation commitments (including pension contributions) the executive directors' contracts of service, if any, would entail in the event of early termination; and

(f) where the initial contract does not explicitly provide for compensation commitments, tailor its approach in early termination cases to the wide variety of circumstances. The broad aim should be to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance and to take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss.

21. In carrying out its duties under the terms of reference, the Committee will also aim to give the executive directors every encouragement to enhance the Company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contributions.

22. Without prejudice to the generality of the terms of reference to the Committee set out above, the Committee shall:

- (a) operate the Company's share option schemes/other (including long term) incentive schemes (if any) as they apply to, and determine grants of options to be made to, executive directors and senior management and determine any grants under the Group's SAYE share option scheme. It shall determine the total aggregate amount of any grants to employees; the specific grants to individuals; where relevant, the performance targets to be used and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment);
- (b) regularly review the design of all share option schemes/other incentive schemes and, if thought appropriate, make recommendations to the Board for adoption of new schemes following shareholder approval, if required;
- (c) establish specific policies relating to other employment benefits (including pensions) made available to executive directors/senior management and more widely within the Group;
- (d) review the terms of executive directors' service agreements from time to time;
- (e) prepare an annual remuneration report to shareholders which will be put to shareholders for approval at the AGM and comply with relevant legal and regulatory requirements;
- (f) keep the Chairman of the Board fully informed of its actions; and
- (g) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.