

## **TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE**

### **1. CONSTITUTION**

The Committee has been established by resolution of the board of directors of the Company (the "**Board**") and is to be known as the Remuneration Committee.

### **2. MEMBERSHIP**

- 2.1 The members of the Remuneration Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of at least three members, all of whom are independent non-executive directors. The chairman of the Board may also serve on the Remuneration Committee as an additional member if he or she was considered independent on appointment as chairman.
- 2.2 The Board shall appoint a chairman of the Remuneration Committee (the "**Chairman**") and shall decide his or her period of office. The Chairman shall be an independent non-executive director and shall not be the chairman of the Board. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.
- 2.3 The Board shall regularly review the membership of the Remuneration Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals as regards membership of the Remuneration Committee and other Board committees.
- 2.4 The Remuneration Committee may invite the chairman and the chief executive of the Company or any other person to advise and/or to join meetings of the Remuneration Committee when required notwithstanding that they are not members of the Remuneration Committee.
- 2.5 If executive directors or senior management are involved in advising or supporting the Remuneration Committee, that role should be clearly separated from their role within the business.

### **3. QUORUM**

A quorum shall be two members. 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. ATTENDANCE AT MEETINGS**

- 4.1 No one other than the Remuneration Committee Chairman and members is entitled to attend or vote at a meeting of the Remuneration Committee.
- 4.2 The chairman of the Company, chief executive, Human Resources director and any other executive or member of senior management may be called upon or shall be able to speak at any meeting of the Remuneration Committee by prior arrangement with the Chairman.
- 4.3 No director or senior executive shall be involved in any decisions as to his or her own remuneration.

## **5. SECRETARY**

5.1 The Company Secretary or his or her nominee shall act as the secretary of the Remuneration Committee and shall keep a record of:

5.1.1 the membership of and the dates of any changes to the membership of the Remuneration Committee; and

5.1.2 any person or firm who provides advice or services to the Remuneration Committee or materially assists the Remuneration Committee on matters relating to directors' remuneration. If such person or firm is not a director, the Secretary shall keep a record of the nature of any other services provided by that person to the Company during the year.

## **6. FREQUENCY OF MEETINGS**

Meetings shall normally be held at such times as the Committee deems appropriate and in any event shall be held not less than twice a year.

## **7. PROCEEDINGS**

7.1 Unless varied by these terms of reference, meetings and proceedings of the Remuneration Committee will be governed by the Company's Articles of Association regulating the meetings and proceedings of directors.

7.2 Meetings of the Remuneration Committee shall be summoned by the Secretary of the Remuneration Committee at the request of the Chairman or any member thereof.

7.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be sent to each member of the Remuneration Committee and any other person required to attend not later than 48 hours prior to the date of the meeting.

7.4 The Secretary of the Remuneration Committee shall record the proceedings and resolutions of the meetings of the Remuneration Committee and shall circulate the minutes of such meetings to all members of the Remuneration Committee and, if the Chairman so decides, upon request, to all members of the Board.

## **8. AUTHORITY**

8.1 The Remuneration Committee is authorised by the Board at the expense of the Company to investigate any matter within its terms of reference. It is authorised to seek any information it requires from any employee in order to perform its duties and all employees are directed to co-operate with any requests made by the Remuneration Committee.

8.2 The Remuneration Committee is authorised by the Board at the expense of the Company to obtain external professional advice and to secure the attendance of third parties with relevant experience and expertise at meetings of the Remuneration Committee if it considers this necessary.

8.3 The Remuneration Committee is authorised by the Board to appoint external consultants at the Company's expense in respect of executive directors' remuneration and to set their terms of reference.

8.4 These terms of reference may be amended from time to time as required, subject to approval by the Board.

## **9. DUTIES**

- 9.1 The Remuneration Committee's remit shall cover all elements of the remuneration of the executive directors, other members of the group executive committee and the chairman of the Board, including pension rights and compensation (i.e. damages) payments, and the structure of remuneration for other senior management of the group. The duties of the Remuneration Committee shall be:
- 9.2 to determine and agree with the Board the framework and policy for the remuneration (including benefits, pension arrangements and termination payments), of the chairman, chief executive, other members of the group executive committee of the Company and other senior management of the group. In determining such policy, the Remuneration Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the "Code") and associated guidance. The objective of such policy shall be to attract, retain and motivate directors and 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. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and to promote the long-term success of the Company;
- 9.3 to determine and agree with the Board the Company's policy on the duration of contracts with executive directors, and notice periods and termination payments under such contracts, with a view to ensuring that any termination payments are fair to the individual and the Company, that failure is not rewarded and the duty to mitigate loss is fully recognised;
- 9.4 within the terms of the agreed framework and policy, to determine the total individual remuneration package of each executive director and other members of the group executive committee of the Company, including, where appropriate, structure and potential payments in relation to bonuses, incentive payments, share plans and pension arrangements, and actual bonus payments for executive directors;
- 9.5 when setting remuneration policy for directors, review and have regard to pay and employment conditions across the group, especially when determining annual salary increases;
- 9.6 review the on-going appropriateness and relevance of the remuneration policy;
- 9.7 having regard to Schedule A of the Code, to approve the design of and determine all measures and formulae for performance-related pay schemes operated by the Company, the methods for assessing whether performance conditions are met and the eligibility of executive directors and other members of the group executive committee for annual bonuses and benefits under long term incentive schemes;
- 9.8 when appropriate, requesting the Board to seek shareholder approval of all new long term incentive schemes save in the circumstances permitted by paragraph 9.4.2 of the Listing Rules;
- 9.9 to review and recommend to the Board, the remuneration of the Company Secretary;
- 9.10 to liaise with the Nomination Committee to ensure that the remuneration of newly-appointed executive directors and senior management is within the Company's overall policy;

- 9.11 to consider and make recommendations in respect of any other terms of the service contracts of the executives and any proposed changes to these contracts, and to review the company's standard form contract for executive directors from time to time;
- 9.12 to oversee all aspects of any performance share plans operated by or to be established by the Company in relation to the executive directors and senior management of the group, (subject always to the rules of that scheme and any applicable legal and regulatory requirements) including but not limited to:
- (A) the selection (or deselection where there has been a failure to comply with the shareholding requirements) of those eligible directors and employees of the Company and its subsidiary companies to whom awards should be granted;
  - (B) the timing of any grant of awards;
  - (C) the numbers of conditional shares to be awarded;
  - (D) the imposition of any objective condition which must be complied with before any conditional shares may be vested;
  - (E) the compliance of shareholding requirements in accordance with the written policy.
- 9.13 to be mindful that the structure of the remuneration for the executive directors, chairman and senior management should not encourage inappropriate risk taking;
- 9.14 to consider any other matters relating to the remuneration of or terms of employment applicable to the executive directors, chairman and senior management and referred to the Remuneration Committee by the Board;
- 9.15 to be aware of and advise on any major changes in employee benefit structures insofar as they relate to the executive directors and senior management throughout the group;
- 9.16 to have regard, in the performance of the duties set out in this clause, to the Code, the Listing Rules and to any published guidelines or recommendations regarding the remuneration of directors of listed companies and the formation and operation of share option schemes (in particular the guidelines published by the Investment Association and Pensions and Lifetime savings Association) which the Remuneration Committee considers relevant or appropriate;
- 9.17 to establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants that the committee deems it necessary to receive advice from;
- 9.18 in conjunction with the Board, ensure that provisions regarding disclosure of information regarding remuneration, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013 and the Code and any other applicable law or regulation, are fulfilled and produce reports of the Company's remuneration policy and the implementation thereof to be included in the Company's annual report and ensure each year that they are put to shareholders for approval in accordance with the requirements of the Companies Act 2006 as amended by the Enterprise and Regulatory Reform Act 2013;
- 9.19 to ensure that the items that should be published in the Company's Annual Report relating to the activities of the Remuneration Committee, are included in that report;

- 9.20 to submit the directors' remuneration policy for approval by the board and shareholders every three years, or in any year in which there is a change to the policy or if shareholder approval was not obtained when last submitted;
- 9.21 to agree the policy for authorising claims for expenses of the directors of the Company; and
- 9.22 to review and, where necessary, update these terms of reference (subject to the approval of the Board) and make them publicly available.

## **10. EXCLUSIONS**

- 10.1 The terms of reference of the Remuneration Committee do not encompass decisions to employ or dismiss executives. The Remuneration Committee does not have responsibilities for nominations to the Board.
- 10.2 The remuneration of non-executive directors shall be a matter for the chairman and the executive members of the Board (subject to the Articles of Association of the Company).
- 10.3 In the event that decisions on remuneration matters for group executive committee members who are not executive directors are required urgently, the matter may be decided by either the Chairman of the Remuneration Committee or the chairman of the board and then reported to the next meeting of the Remuneration Committee.

## **11. ANNUAL GENERAL MEETING**

The Chairman shall be available at the Annual General Meeting to answer questions arising from the directors' remuneration report and generally on remuneration principles and practice and the activities of the Remuneration Committee. He or she should also ensure that the Company maintains good contact with shareholders about remuneration in the same way as for other matters.

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