

## **Remuneration Committee – Terms of Reference**

**Approved by the Board: 24.03.2009**

### **1. Membership**

- 1.1 The Remuneration Committee (“the Committee”) comprises not less than three independent non-executive directors appointed by the Board from time to time. Appointments are made on the recommendation of the Nomination Committee, in consultation with the Chairman of the Committee.
- 1.2 The Board should appoint the Chairman of the Committee and determine the period for which he/she is to hold office. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Company shall not be eligible to be appointed as Chairman of the Committee.
- 1.3 In addition to the remuneration paid to non-executive directors, the Company is entitled to pay further remuneration to members of the Committee to recompense them for the additional responsibilities of membership.

### **2. Secretary**

- 2.1 The Company Secretary, or his/her nominee, shall act as Secretary of the Committee unless the Committee determines otherwise.
- 2.2 The Secretary shall minute the proceedings and resolutions of all Committee meetings including the names of those present and in attendance.
- 2.3 The Secretary shall prepare and distribute agendas for Committee meetings together with any other papers to be considered.

### **3. Meetings**

- 3.1 The Committee must meet as often as is required and not less than 3 times a year.

- 3.2 No-one other than the Committee is entitled to be present at the meetings of the Committee – it is for the Committee to decide if non-members should attend. It is expected that the Chairman and Group Chief Executive will generally be invited to attend. The Committee may invite external advisers to attend meetings where it considers this to be appropriate.
- 3.3 The Board may determine the quorum for meetings of the Committee from time to time. In the absence of any such determination, the quorum will be two.
- 3.4 Sufficient time must be allowed to enable the Committee to undertake as full a discussion as may be required.
- 3.5 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members.
- 3.6 Unless it is otherwise impracticable to do so, 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 fewer than two working days plus the preceding weekend prior to the date of the meeting.
- 3.7 The Chairman of the Committee shall attend the Company's Annual General Meeting in order to respond to any questions on the Committee's activities or on the Directors' Remuneration Report which is thereat raised.

#### **4. Authority**

The Committee is authorised by the Board (at the Company's expense) to:

- 4.1 Investigate, or cause to be investigated (in consultation with the Group CEO or the Group HR Director, as appropriate), any activity within its terms of reference;
- 4.2 Commission any reports or surveys which (in consultation with the Group CEO or the Group HR Director, as appropriate) it deems necessary to fulfill its obligations

- 4.3 Obtain external legal or independent professional advice (in consultation with the Group CEO or the Group HR Director, as appropriate) from such advisers as the committee shall select, who may at the invitation of the Committee attend meetings as necessary.
- 4.4 Meet for dispatch its business, adjourn and otherwise regulate its meetings as it shall see fit, including approving items of business by the written resolution procedure set out in the Company's Articles of Association.
- 4.5 Delegate any of its duties as appropriate to such persons or person as it thinks fit.
- 4.6 The Committee shall have full access to the services of Group HR Director in connection with the discharge of its duties.

## **5. Duties**

The Committee shall:-

- 5.1 Determine and recommend to the Board the framework or broad policy for the remuneration of the Company's Chairman, Chief Executive, Executive Directors and such other senior executive management as it is from time to time designated to consider (the "Appropriate Group"). The remuneration of the Non-Executive Directors shall be a matter for the Chairman and Executive members of the Board of Directors of the Company. No Director or manager shall be involved in any decisions relating to his or her own remuneration.
- 5.2 In determining such framework or policy, take into account all factors which it deems necessary including pay and conditions elsewhere in the Company. The objective of the framework or policy shall be to ensure that the Chairman, Chief Executive, Executive Directors and other senior executives of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. This framework or policy will ensure that remuneration is competitive wherever the Company operates and at a level which will enable the Company to attract, retain and motivate Executive directors and executive management of the appropriate calibre, but that the Company should avoid paying more than is necessary.

- 5.3 Review the ongoing appropriateness and relevance of the remuneration policy.
- 5.4 Within the terms of the agreed policy, and in consultation with and taking recommendations from the Chief Executive, Chairman and other external advisers as appropriate, determine the total potential remuneration package of the Appropriate Group including where appropriate salary, pension and other benefits and bonuses under any short- and/or long-term incentive plans operated by the Company.
- 5.5 Determine the potential level of payments and performance measures for performance related pay schemes and other cash based incentive plans operated by the Company.
- 5.6 Determine, where appropriate with the assistance of external advisers, whether the performance measures for any performance related pay schemes and other cash based incentive plans operated by the Company have been satisfied.
- 5.7 Oversee the administration of any short-term and long-term incentive plans offered to the Chairman, Chief Executive, Executive Directors and other senior executives including consideration of significant rule changes.
- 5.8 Determine the policy for and the scope of pension arrangements, service agreements, termination payments and compensation commitments for the Chairman, Chief Executive, Executive Directors and other senior executives having regard to regulatory requirements.
- 5.9 Ensure that contractual terms on termination of the Chairman, Chief Executive or an Executive Director and any payments made, are fair to the individual, and the Company, and that failure is not rewarded and that the duty of directors to mitigate loss is fully recognised.
- 5.10 Approve any amendments to the service contracts of the Chairman, Chief Executive or Executive directors.
- 5.11 Agree the policy for authorising claims for expenses from the Chairman, Chief Executive and Executive Directors.

- 5.12 With the assistance of the Group HR Director, be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 5.13 Ensure that provisions regarding disclosure of remuneration, including pensions, as set out in the relevant regulations, currently the Directors' Remuneration Report Regulations 2002, and the Code, are fulfilled.
- 5.14 Produce for approval by the Board, an annual report of the Company's remuneration policy and practices which will form part of the Company's Annual Report which will be submitted to the Annual General Meeting for members' approval.
- 5.15 Report the frequency of, and attendance by members at, remuneration committee meetings in the annual report and accounts.
- 5.16 Consider and make recommendations on any other issues as requested by the Board.
- 5.17 In carrying out its duties, give due regard to the contents of the Combined Code ("the Code") and any relevant legal or regulatory requirements and guidance.

## **6. Services**

- 6.1 The Committee shall have access to the services of the Group HR Director in connection with:
- assisting the Chairman of the Committee in planning the Committee's work;
  - collection and distribution of relevant information; and
  - provision of any necessary practical or other support.

## **7. Reviewing effectiveness**

- 7.1 The Committee must review annually its terms of reference and its own effectiveness and recommend any necessary changes to the Board for approval.

7.2 The Board must review the Committee's effectiveness annually.

**8. Availability of terms of reference**

The terms of reference of the Committee will be included on the Company's website and will be made available to members on demand.