

# **Remuneration Committee Terms of Reference**

## **1. Membership**

- 1.1. The Committee shall be made up of at least two members, both of whom shall be non-executive directors. The chairman of the board may serve on the Committee if he or she was considered independent on appointment as chairman. Members of the Committee shall be appointed by the board, on the recommendation of the Nomination Committee in consultation with the chairman of the Remuneration Committee.
- 1.2. Only members of the Committee have the right to attend Committee meetings. Other individuals, however, such as the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3. Appointments to the Committee are made by the board and shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director still meets the criteria for membership of the Committee.
- 1.4. The board shall appoint the Committee chairman who shall be an independent non-executive director. In the absence of the committee chairman, 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. The chairman of the board shall not be the chairman of the Committee.

## **2. Secretary**

The company secretary shall act as the secretary of the Committee and will 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**

The quorum necessary for the transaction of business shall be two.

## **4. Meetings**

The Committee shall meet at least twice a year and at such other times as the chairman of the Committee shall require.

## **5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.
- 5.2. 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 five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **6. Minutes of Meetings**

- 6.1. The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the board, unless in the opinion of the committee chairman it would be inappropriate to do so..

## 7. Annual General Meeting

The chairman of the Committee should attend the Annual General Meeting to answer to any shareholder questions on the Committee's activities.

## 8. Duties

The committee should carry out the duties detailed below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

The Committee shall:

- 8.1. have responsibility for setting the remuneration policy for all executive directors, including pension rights and any compensation payments. The board itself should determine the remuneration of the non-executive directors and the company's chairman within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration;
- 8.2. recommend and monitor the level and structure of remuneration for senior management;
- 8.3. in determining such policy, 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 executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the company and alignment to the company's long strategic term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the company;
- 8.4. when setting remuneration policy for directors, review and have regard to pay and employment conditions across the company or group, especially when determining annual salary increases ;
- 8.5. review the ongoing appropriateness and relevance of the remuneration policy;
- 8.6. within the terms of the agreed policy and in consultation with the chairman and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- 8.7. obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to commission or purchase any reports or surveys or information which it deems necessary, within any budgetary restraints imposed by the board;
- 8.8. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- 8.9. approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;
- 8.10. review the design of all share incentive plans for approval by the board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other senior executives and the performance targets to be used;
- 8.11. determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;

- 8.12. ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.13. within the terms of the agreed policy and in consultation with the chairman and/or chief executive as appropriate, determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards;
- 8.14. oversee any major changes in employee benefits structures throughout the company or group;
- 8.15. agree the policy for authorising claims for expenses from the directors; and work and liaise as necessary with all other board committees

## **9. Reporting Responsibilities**

- 9.1. The Committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Committee ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce a report of the company's remuneration policy and practices to be included in the company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the Committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company.
- 9.4. Through the chairman of the board, ensure that the company maintains contact as required with its principal shareholders about remuneration

## **10. Other**

The Committee shall,

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 10.3. give due consideration to laws and 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 Association of British Insurers and the National Association of Pension Funds and any other applicable Rules, as appropriate; and
- 10.4. arrange for periodic reviews of its own performance and, at least annually, review its 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.

## **11. Authority**

11.1. The Committee is authorised by the board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

By Order of the Board

January 2015