

Terms of Reference of the Remuneration Committee (the “Committee”)

Adopted by the Board on 18 February 2016

1. Constitution

- 1.1 The Committee has been duly constituted as a committee of the Board of Directors in accordance with the Company’s articles of association.
- 1.2 The Committee has delegated authority of the Board in respect of the functions and powers set out in these Terms of Reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Company Secretary or to other members of the Board including, without limitation, the establishment of sub-committees which are to report back to the Committee.

2. Role

- 2.1 The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that the remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- 2.2 In particular, the Committee shall consider:
 - (i) remuneration policies, including base pay and long, medium and short term incentives;
 - (ii) remuneration practice and its cost to the Company;
 - (iii) recruitment, service contracts and severance policies;
 - (iv) pension and superannuation arrangements and other benefits; and
 - (v) the engagement and independence of external remuneration advisers.

3. Membership

- 3.1. The Committee shall comprise all of the independent Non-Executive Directors in office from time to time. The Chairman of the Board may also serve on the Committee as an additional member but only if he or she was considered independent on appointment as chairman and the Committee agrees that this is appropriate. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Committee.
- 3.2. Only members of the Committee have the right to attend Committee meetings. However, on occasion, other individuals such as the Group's Chairman (where he is not a member in his or her own right and save for on matters related to himself or herself), Chief Executive Officer, the Head of Human Resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the Committee Chairman. No person (including Directors and the Chairman) of the Company shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision concerning their remuneration.
- 3.3. Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up three-years, provided the Director still meets the criteria for membership of the Committee, in particular as to independence.
- 3.4. The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director. In the absence of the Committee Chairman and/or an appointed deputy at any meeting of the Committee, 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. Even if serving on the Committee if he or she meets the required criteria set out in paragraph 1.1 above, the Chairman of the Board shall not be Chairman of the Committee.
- 3.5. The Committee Chairman shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

4. Secretary

- 4.1. The Company Secretary or his or her nominee shall act as the secretary of the Committee and provide all necessary support to the Committee, including ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

5. Quorum

- 5.1. The quorum necessary for the transaction of business shall be two. A duly convened meeting of the 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 Committee.

6. Meetings

- 6.1. The Committee shall meet at least at least twice a year and otherwise as required. Insofar as is possible, meetings will be organised so that attendance is maximised (for example by timetabling them to coincide with Board meetings).
- 6.2. The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.5.3 Each Committee member shall have one vote which may be cast on matters considered at the meeting. If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly, has a personal interest, that member shall not be permitted to vote at the meeting. The Committee Chairman may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

7. Notice of meetings

- 7.1. Meetings of the Committee shall be called by the Committee Chairman or by the secretary of the Committee at the request of the Committee Chairman.
- 7.2. 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, any other person required to attend and all other Non-Executive Directors, no later than three 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.

8. Minutes of meetings

- 8.1. The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 8.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved minutes shall be circulated to all other Board members unless in the opinion of the Committee Chairman it would be inappropriate to do so.

9. Annual general meeting and shareholder communication

- 9.1. The Committee Chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.
- 9.2. Through the Chairman of the Board, the Committee shall ensure that the Company (whether through the Committee Chairman or otherwise) maintains contact as required with its principal shareholders and other interested bodies (such as proxy advisory groups) about remuneration.

10. Duties

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

Remuneration Policy

The Committee shall:

- 10.1. determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman the Executive Directors, the other members of the Executive Committee not covered by the aforementioned and such other members of the senior management team of the Group as it may from time to time be designated by the Board to consider. The remuneration of Non-Executive Directors shall be a matter for the Chairman and the Executive Directors although recommendations in respect of the remuneration of the Non-Executive Directors may be made by the Committee and the general policy will be for the fees of both the Non-Executives and the Chairman to be reviewed at the same time as changes are made to the remuneration of the Executive Directors. No Director or other person shall be involved in any decisions as to their own remuneration;
- 10.2. in determining such policy, take into account all factors which it deems necessary and consider:
 - (i) all relevant legal and regulatory requirements;
 - (ii) the provisions and recommendations of the UK Corporate Governance Code (the "**Code**") and associated guidance, together with other authoritative best practice guidelines for remuneration committees published from time to time;
 - (iii) an appropriate balance between fixed and performance-related remuneration and immediate and deferred remuneration;
 - (iv) the need to promote the long-term success of the Company without paying more than is necessary, having regard to the views of shareholders and other stakeholders and ensuring that the Executive Directors of the Company and the other Executive Committee members (and if appropriate, other members of the senior management team as the Remuneration Committee is designated to consider) 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;
 - (v) the business strategy of the Group and how the policy reflects and supports such strategy;
 - (vi) the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long term strategic goals; and
 - (vii) the remuneration trends and employment conditions across the Group;
 - (viii) whether Executive Directors and other Executive Committee members should be required to hold a minimum number of shares for a further period after vesting or exercise, including a period after leaving the Company; and
 - (ix) the transparency of performance-related elements, ensuring they are stretching and rigorously applied.

- 10.3. review at least annually the on-going appropriateness and relevance of the remuneration policy of the Group and consult with significant shareholders as appropriate;
- 10.4. within the terms of the agreed remuneration policy and in consultation with the Chairman and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chairman and each element of the total individual remuneration package for each Executive Director, each Executive Committee member and such other members of the senior management team as it is designated by the Board to determine, including:
- (i) base salary;
 - (ii) profit sharing and specific incentive remuneration schemes/arrangements;
 - (iii) participation in share option schemes and share ownership plans
 - (iv) pension arrangements, including the level of contributions by the Company; and
 - (v) other bonuses and benefits in cash or kind.

In so determining the total individual remuneration packages as aforementioned, the Committee shall be sensitive to the wider scene, including pay and employment conditions elsewhere in the Group, especially when determining annual salary increases. In addition, the Committee shall ensure, where relevant, that any payments made are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval;

- 10.5. engage in appropriate discussions as necessary with institutional investors on policy or any other aspects of remuneration.

Benchmarking and Remuneration Consultants

The Committee shall:

- 10.6. obtain reliable, up-to-date information about remuneration in other companies, including appropriate comparator companies, and judge where to position the Group relative to this. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board, and, in connection therewith, it is acknowledged by the Committee that its general policy will be to not seek external validation on an annual basis but rather every two or three years as the Committee shall determine is appropriate; and
- 10.7. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

Share based remuneration

The Committee shall:

- 10.8. recommend for approval by the Board and shareholders the design of, and determine the targets for, the operation of all long term incentive schemes, including all schemes involving the award of shares or the grant of options in which Executive Directors, Executive Committee members and other designated senior managers participate. 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, Executive Committee members and other designated members of the senior management team and the performance targets to be used;
- 10.9. monitor and assess any performance conditions applicable to any long term incentive awards granted under any schemes adopted by the Company and ensure that the performance conditions are fully explained and clearly linked to the enhancement of shareholder value;
- 10.10. having reference to the provisions set out in Schedule A of the Code, 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;
- 10.11. design and invoke agreed safeguards, for example clawback, to protect against rewards for failure through appropriate risk management of incentive arrangements to ensure that any performance-related payments reflect actual achievements; and
- 10.12. ensure that all incentive arrangements are aligned to the Company's risk policies and systems and comply with the provisions set out in Schedule A of the Code.

Pensions

- 10.13. The Committee shall review the pension arrangements for each Executive Director, Executive Committee member and other designated members of the senior management team; and in particular the pension consequences and associated costs to the Company or basic salary increases and any other changes in pension remuneration.

Service Contracts and Severance

The Committee shall:

- 10.14. approve the terms of the service contracts for Executive Directors;
- 10.15. determine the policy for, and scope of, termination payments and compensation commitments for each Executive Director, each Executive Committee member and other designated members of the senior management team and ensure that there is a clear policy to link non-contractual payments to performance; and
- 10.16. ensure that Executive Directors' contractual terms on termination, and any payments made, are fair to the individual and the Company and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Shareholder approval

The Committee shall:

- 10.17. report annually to shareholders on matters relating to executive remuneration (see "Reporting Responsibilities" below);
- 10.18. submit the Directors' remuneration policy by the Board and shareholders:

- (i) every three years;
 - (ii) in any year when there is a change to the policy;
 - (iii) if shareholder approval was not obtained when last submitted; and
 - (iv) if majority shareholder approval was not achieved on the last submitted annual remuneration report; and
- 10.19. submit the annual report on Director's remuneration for approval by the Board and shareholders at the annual general meeting each year.

Other duties

The Committee shall

- 10.20. monitor and review the level and structure of remuneration of other senior management not specifically designated to be within the remit of the Committee in the context of the pay policy of the Group as a whole, pay and conditions elsewhere in the Group and the overall cost to shareholders;
- 10.21. keep abreast of external remuneration trends and market conditions;
- 10.22. oversee any major changes in employee benefits structures throughout the Company or Group;
- 10.23. agree the policy for authorising claims for expenses from the Directors;
- 10.24. exercise any discretion or judgment on remuneration issues in accordance with the remuneration policy and as otherwise may be required under any of the Company's share or other incentive schemes; and
- 10.25. consider such other matters as are referred to the Committee by the Board..

11. Reporting responsibilities

- 11.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3. The Committee shall prepare a formal report for shareholders to be included in the Company's annual report which shall include:
 - (i) an annual statement by the Committee Chairman;
 - (ii) the Directors' remuneration policy; and
 - (iii) an annual report on Directors' remuneration.
- 10.4 If the Committee has appointed remuneration consultants, the Committee shall identify in the annual report of the Company's remuneration policy, the name of the consultants and state whether they have any connection with the Company.
- 10.5 The Committee shall make available these Terms of Reference to shareholders by placing them on the Company's website.

12. Other matters

The Committee shall:

- 12.1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 12.2. 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;
- 12.3. give due consideration to laws and regulations and any published guidelines or recommendations regarding the remuneration of directors or listed/non-listed companies and formation and operation of share schemes including but not limited to the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Investment Association, the National Association of Pension Funds, the GC100 and any other applicable rules, as appropriate ;
- 12.4. work and liaise as necessary with all other Board committees;
- 12.5. 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.

13. Authority

The Board authorises the Committee to:

- 12.1 carry out its duties set out in these Terms of Reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, outside legal, taxation or other professional advice on any matters within its terms of reference;
- 12.2 seek any information it requires to perform its duties from any employee of the Company or any of the Company's subsidiaries; and
- 12.3 secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.

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