



**HARGREAVES SERVICES PLC
REMUNERATION COMMITTEE
TERMS OF REFERENCE**

1. Membership

1.1 The Committee shall be appointed by the board of Hargreaves Services plc (“the Board”).

1.2 The Committee shall comprise at least two members all of whom shall be independent non-executive directors. Members of the Committee shall be appointed by the Board on recommendation of the Nomination Committee and in consultation with chairman of the Remuneration Committee. A member of the Committee can be removed at any time.

1.3 The Board shall appoint the Chairman of the Committee who shall be an independent non-executive director.

1.4 Only members of the Committee have the right to attend committee meetings. However, other individuals such as the Chief Executive, the Head of Human Resources and external advisors may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

1.5 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 further periods of up to three years, provided the director still meets the criteria for membership of the committee.

2. Meetings and Attendance

2.1 The Committee shall meet at least three times each year and at such other times as it sees fit and is required.

- 2.2 The Chairman of the Committee may invite the Chief Executive of the Company and/or such other persons as he, with the consent of the other members of the Committee, may think fit to attend such meetings. No director may be present when his own remuneration is being discussed.
- 2.3 A meeting may be requested at any time by the Chairman of the Board and by any member of the Committee who considers that a meeting is necessary and by any member of the Board if approval is given by the Chairman of the Board. 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 fewer than five working days prior to the date of the meeting.
- 2.4 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.
- 2.5 The Company Secretary shall be the secretary of the Committee but shall not attend any meeting of the Committee at which the Chairman has stipulated that no executive directors shall be present. At such meetings, the Chairman shall nominate another member of the Committee to act as secretary.
- 2.6 The Company Secretary shall not be present when his own remuneration is being considered.
- 2.7 The chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.
- 2.8 The Company Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 2.9 The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

3. Authority

3.1 The Committee is authorised by the Board to carry out any investigation within its terms of reference.

3.2 The Committee is authorised to seek any information it requires at the company's expense from any employee and to obtain expert advice from the Company's external auditors, professional advisers, outside legal advisers or other independent potential advisers or otherwise, and to request the attendance of such advisers or other persons as it sees fit.

3.3 The Committee is authorised by the Board to obtain expert advice from the Company's external auditors, professional advisers, outside legal or other independent professional advice or otherwise and to request the attendance of such employees or advisers as it sees fit.

4. Duties

The Committee shall decide, consider and make recommendations to the Board on the items listed below and have responsibility to:

- 4.1 consider and determine, subject to such consents of the company in general meeting as may be necessary, the terms and conditions of service of the executive directors and other senior executives of the company, including all salaries, emoluments, pension rights, share option, profit-sharing, performance-linked and any other incentive or bonus schemes or arrangements, termination and compensation settlements and any other arrangement under which an executive director will or may benefit. No director shall be involved in any decisions as to his or her own remuneration;
- 4.2 consider the terms of any share option or incentive scheme, LTIP, ESOP, profit sharing scheme or scheme for profit related pay (whether for the benefit of the Company's executive directors or others employed by the Company or any subsidiary undertaking);
- 4.3 advise on and monitor suitable performance related formula (whether under the Company's executive share option scheme or otherwise);
- 4.4 consider and make recommendations at the request of the Board concerning the conditions of service of senior employees with pay scales above £100k of the company and of the directors of subsidiaries of the Company;

- 4.5 approve all executive directors' service contracts and service contracts of senior employees of the company and all directors and senior employees of the company's subsidiaries or any other person at the request of the Chairman of the Board and any amendments to any such contracts;
- 4.6 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;
- 4.7 carry out its functions having regard to conditions of service and remuneration provided:
 - 4.7.1 in other comparable organisations for comparable duties;
 - 4.7.2 within the Company and its subsidiaries so that appropriate relations are maintained;
 - 4.7.3 for persons who perform service overseas and the necessity for any local adjustments or allowances;
 - 4.7.4 worldwide for skills for which there is deemed to be an international market;
- 4.8 review and supervise the administration of, and the grant of options under, the company's executive Sharesave scheme and any other incentive schemes set up by the company for the benefit of the senior management of the company;
- 4.9 consider any other matter referred to it by the Board or the Chairman of the Board;

5. Reporting procedures

- 5.1 The Company Secretary shall circulate minutes of the Committee meetings to all members of the Committee and, once agreed, to all members of the Board.
- 5.2 The Chairman of the Committee shall report formally to the Board on its proceedings and the Committee shall make such recommendations to the Board as it deems appropriate on any matter within its remit.
- 5.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

5.4 The Committee shall, 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 for approval.