

## REMUNERATION COMMITTEE

### TERMS OF REFERENCE

(Approved by the Board on 12<sup>th</sup> December 2003.  
Last updated on 7th December 2011)

#### Role

The Committee reviews and approves the remuneration of Executive Directors and Corporate Officers.

#### Membership

Chairman	Sir Crispin Davis
Members	Lawrence Culp Sir Christopher Gent James Murdoch Tom de Swaan
In attendance	Chief Executive Officer ("CEO") Senior Vice President, Human Resources Senior Vice President, Compensation and Benefits External Advisers – by invitation  Any Non-Executive Director shall be entitled to attend the Committee's meetings.
Secretary	Company Secretary

#### Constitution

1. The Board has established a Committee of the Board known as the Remuneration Committee (the "Committee").

#### Membership

2. The Committee must comprise a minimum of three independent Non-Executive Directors appointed by the Board, on the recommendation of the Nominations Committee, in consultation with the Committee Chairman.
3. Each of the members of the Committee shall be independent Non-Executive Directors, as determined by the Board, (in accordance with the provisions of the UK Corporate Governance Code (the "Code")). In particular no member of the Committee may receive any consulting, advisory or compensatory fee from the Company other than as a member of the Committee, the Board or any other Board Committee, nor may they be an affiliate of the Company or its subsidiaries. No member shall be involved in any decisions as to their own remuneration.
4. The Committee Chairman shall be appointed by the Board, following receipt of a proposal from the Nominations Committee.

5. The Committee Chairman shall, in conjunction with the Nominations Committee, review membership of the Committee as part of the annual performance evaluation of the Committee, taking into account the tenure served by Committee members.
6. The Committee Chairman and members of the Committee shall be identified in the Committee's Remuneration Report to shareholders.

#### Quorum

7. The quorum shall be two members.
8. In the absence of the Committee Chairman or an appointed deputy, the remaining members present shall elect one of the members to chair the meeting. The Chairman of the Board shall not be the Committee Chairman.
9. Each member of the Committee shall disclose to the Committee:
  - (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; and
  - (b) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such an interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

#### Attendance at meetings

10. The Committee may invite members of management and external advisors to attend the Committee's meetings. The CEO, Senior Vice President, Human Resources and Senior Vice President, Compensation and Benefits shall normally attend part or some Committee meetings as required, although the Committee may meet without any executives of the Company being present.
11. No Committee attendee shall be involved in any decision or be present at any discussions as to his or her own remuneration.
12. Any Non-Executive Director shall be entitled to attend the Committee's meetings.

#### Committee Secretary

13. The Company Secretary or Deputy Company Secretary shall be Secretary of the Committee.

#### Frequency of Meetings

14. Meetings shall be held not less than four times a year on a face-to-face basis and otherwise as required.
15. A Committee member may request a meeting if they consider that one is necessary

#### Annual General Meeting

16. The Chairman of the Committee shall attend the Company's Annual General Meeting and be prepared to respond to shareholder questions on the Committee's activities.

### Authority

17. The Committee is authorised by the Board to obtain internal or, at the Company's expense, external legal or other professional advice, including the advice of independent remuneration consultants, as appropriate, and to obtain up-to-date, reliable information about remuneration in other companies. The Committee is also authorised to appoint, retain and terminate the services of such external advisers and to approve their fees and other retention terms.
18. The Committee Chairman and the Chairman of the Board are authorised to act together, where necessary between meetings, to agree compensation arrangements for newly appointed CET members.

### Duties

19. The Committee Chairman and the Committee, as appropriate, for the Company, major subsidiary undertakings and the Group as a whole, shall exercise the powers of the Board to review, and approve material changes in:
  - (i) retirement benefits schemes for employees of all Group companies provided such schemes are material in the context of the Group as a whole;
  - (ii) any profit sharing or similar schemes for employees of any Group companies; and
  - (iii) any share option or similar schemes for employees of any Group companies.

### Executive Remuneration

20. The Committee shall:
  - (a) prepare a report to enable the Board to report to shareholders annually on matters relating to executive remuneration as required by the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the UK Code, the Listing, Prospectus, Disclosure and Transparency Rules of the UK Listing Authority and any other applicable regulations from time to time in force and otherwise as the Committee considers appropriate.
  - (b) make recommendations to the Board on the Company's remuneration policy and framework of executive remuneration and its cost that:
    - (i) assist in promoting the long term success of the Company; and
    - (ii) ensure that Executive Directors and Corporate Officers generally are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the success of the Company;
  - (c) within the terms of the agreed remuneration policy, determine the total individual remuneration packages of the Executive Directors and Corporate Officers including, where appropriate, bonuses, incentive payments and share options/awards;
  - (d) when setting and reviewing remuneration policy and levels for Executive Directors and Corporate Officers, have regard to remuneration policy and levels for employees across the Company;
  - (e) determine targets for any performance-related payments to Executive Directors and Corporate Officers and their individual incentives including, without limitation: (i) setting and monitoring any

performance conditions subject to which any options may be granted under any executive share option schemes adopted by the Company; and (ii) setting and monitoring any bonus scheme performance conditions;

- (f) review individual performance;
- (g) exercise agreed safeguards, eg “clawback”, to protect against rewards for failure through appropriate risk management of incentive arrangements, so that performance-related payments to Executive Directors and Corporate Officers reflect actual achievement against original targets;
- (h) determine the policy for, and scope of, pension arrangements for each Executive Director and Corporate Officers;
- (i) approve service agreements and all material amendments thereto;
- (j) decide on any ex-gratia payments to be made and benefits granted to such persons and their surviving spouses;
- (k) determine the terms of severance, including approving any settlement of claims in connection with severance, ensuring that any payments made are fair to the individual and the Company and that failure is not rewarded;
- (l) approve, where approval is required, Executive Directors and Corporate Officers’ interests outside the Company and its subsidiaries; and
- (m) in determining such policies, targets, packages and arrangements, give due regard to the provisions of and recommendations in the UK Code, the Listing, Prospectus and Disclosure and Transparency Rules of the UK Listing Authority and associated guidance.

#### Non-Executive Remuneration

21. The Chairman of the Board and the CEO are responsible for evaluating and making recommendations to the Board on the remuneration of the Non-Executive Directors.

#### Corporate Governance / Regulatory Developments

22. The Committee shall monitor the progress of any relevant corporate governance or regulatory developments that may impact the Committee and recommend any action or changes it considers necessary to the Board for approval.

#### Performance Appraisal & Review

23. The Committee shall review at least annually 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.

### Reporting Procedures

24. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board unless a conflict of interest arises.

### Publication of Terms of Reference

25. These Terms of Reference shall be made available on the Company's website.

### Notes

Updated to reflect:

- The appointment of Sir Robert Wilson and Mr L Culp as members of the Committee with effect from 1<sup>st</sup> January 2004;
- the appointment of Sir Robert Wilson as Committee Chairman in place of Mr John McArthur with effect from 17<sup>th</sup> May 2004;
- the retirement of Sir Peter Job with effect from 31<sup>st</sup> December 2004;
- the appointment of Dr Ronaldo Schmitz on 25<sup>th</sup> May 2005;
- the appointment of Sir Christopher Gent on 1<sup>st</sup> January 2007;
- authority for the Chairman and Committee Chairman to agree remuneration package for new senior executives between meetings;
- the appointment of Victoria Whyte as Secretary to the Committee;
- the retirement of Dr Ronaldo Schmitz from the Committee with effect from 20<sup>th</sup> May 2009;
- Sir Robert Wilson stepped down as Chairman of the Committee with effect from 20<sup>th</sup> May 2009;
- the appointment of Sir Crispin Davis as Chairman of the Committee with effect from 20<sup>th</sup> May 2009;
- the appointment of Tom de Swaan to the Committee with effect from 20<sup>th</sup> May 2009;
- the appointment of James Murdoch to the Committee with effect from 1<sup>st</sup> October 2009;
- Sir Robert Wilson ceased to be a member of the Committee with effect from 25 March 2010; and
- the adoption of the UK Corporate Governance Code which replaced the Combined Code with effect from 1<sup>st</sup> July 2010.