



REMUNERATION COMMITTEE

TERMS OF REFERENCE

(Approved by the Board on 12 December 2003.
Last updated on 30 January 2019)

Role

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

Membership

Chairman	Urs Rohner
Members	Vindi Banga Dr Vivienne Cox Judy Lewent
In attendance	Chairman Chief Executive Officer (“CEO”) Senior Vice President, Human Resources Senior Vice President, Reward 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. The Chairman of the Board may also serve on the Committee as an additional member, if he or she was considered independent on appointment as Chairman of the Board.
3. Appointments to the Committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members (other than the Chairman of the Board, if he or she is a member of the Committee) continue to be independent.
4. 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 performance or remuneration.

5. The Committee Chairman shall be appointed by the Board, following receipt of a proposal from the Nominations Committee. Non-Executive Directors should serve on the Committee for at least a year before taking over the chairmanship of the Committee and have sufficient skill and experience to manage the remuneration setting process. The Chairman of the Board shall not be the Committee Chairman.
6. 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.
7. The Committee Chairman and members of the Committee shall be identified in the Committee's Remuneration Report to shareholders.

Quorum

8. The quorum shall be two members.
9. 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.
10. 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

11. 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, Reward shall normally attend part of some Committee meetings as required, although the Committee may meet without any executives of the Company being present.
12. No Committee attendee shall be involved in any decision or be present at any discussions or decisions as to his or her own remuneration or performance.
13. Any Non-Executive Director shall be entitled to attend the Committee's meetings.

Committee Secretary

14. The Company Secretary shall be Secretary of the Committee.

Frequency of Meetings

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



Annual General Meeting

17. 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

18. 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 of comparable scale and complexity. 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.
19. 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 Corporate Executive Team ("CET") members, in consultation with other Committee members as appropriate. Any such decisions will be minuted at the next Committee meeting.

Duties

20. During their tenure, each of the Committee members shall consider their duties and responsibilities under section 172 of the Companies Act 2006 in performing their role. The Committee shall set the broad policy for and determine the remuneration of the Executive Directors, the Chairman, Corporate Officers and the Company Secretary. The Committee shall also set, recommend and monitor the level and structure of remuneration for senior management.
21. 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 equity incentive schemes for employees of any Group companies.
22. The Chairman of the Board and the CEO, and not the Remuneration Committee, are responsible for evaluating and making recommendations to the Board on the remuneration of the Non-Executive Directors within the terms of the approved remuneration policy.
23. The Committee shall review workforce remuneration and related policies and the alignment of incentives and rewards with culture, and take these into account when setting the policy for executive remuneration.

Executive Director, Corporate Officer and Company Secretary Remuneration

24. The Committee shall:
 - (a) prepare a report, incorporating a "Committee Chairman's Annual Statement", a "Directors' Remuneration Policy" (subject to a binding shareholder vote, when required by law) and an "Annual Report on Remuneration" (subject to an advisory shareholder vote), 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 Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018 (together the "Remuneration Regulations"),



the Code, the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules of the UK Listing Authority (the “DTRs”) 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 (including matters for the “Directors’ Remuneration Policy” report) and framework of remuneration and its cost that:
 - (i) assist in promoting the long term success of the Company;
 - (ii) ensure that Executive Directors, Corporate Officers and the Company Secretary generally are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the long-term success of the Company; and
 - (iii) ensure performance related elements of the Company’s remuneration policy are transparent and rigorously applied
 - (iv) enable the use of discretion to override formulaic outcomes, particularly with respect to performance-related remuneration
- (c) within the terms of the approved Remuneration Policy, determine the total individual remuneration packages of the Executive Directors including bonuses, incentive payments and share based awards, exercising independent judgement and discretion, if and as appropriate, taking into account the Company’s and individual performance, and wider circumstances;
- (d) determine the total individual remuneration packages of the Corporate Officers and the Company Secretary, including bonuses, incentive payments and share based awards, exercising judgement and discretion, if and as appropriate, taking into account the Company’s and individual performance, and wider circumstances;
- (e) when setting and reviewing remuneration policy and levels for Executive Directors, Corporate Officers and the Company Secretary,
 - (i) have regard to remuneration policy and levels for employees across the Company;
 - (ii) have regard to the Company’s short and long term strategic objectives and overall performance and alignment to the Company’s purpose, values and successful delivery of the Company’s long-term strategy;
 - (iii) have regard to the views of shareholders and other stakeholders;
 - (iv) determine an appropriate balance between fixed and performance-related remuneration;
 - (v) ensure that remuneration incentives are compatible with the Company’s risk policies and systems;
 - (vi) consider whether Executive Directors should be required to hold a minimum number of shares for a further period after vesting or exercise, including for a minimum period after leaving the Company that includes vested and unvested shares;
 - (vii) consider the requirement in the Code addressing a number of factors, including clarity, simplicity, risk, predictability, proportionality and alignment to culture.



- (f) not make payments to Executive Directors that fall outside the approved Remuneration Policy, unless otherwise approved separately by shareholders;
- (g) approve the design of, and determine targets for any performance-related awards to Executive Directors, Corporate Officers and the Company Secretary and their individual incentives including, without limitation: (i) setting and monitoring any performance conditions subject to which any share based awards may be granted under any executive share based schemes adopted by the Company; and (ii) setting and monitoring any bonus scheme performance conditions;
- (h) review individual and corporate performance for the purposes of determining remuneration levels;
- (i) design, operate and invoke agreed safeguards, eg “clawback” and “malus”, to protect against rewards for failure through appropriate risk management of incentive arrangements, so that performance-related payments to Executive Directors, Corporate Officers and the Company Secretary reflect actual achievements;
- (j) determine the policy for, and scope of, pension arrangements for each Executive Director, Corporate Officers and the Company Secretary, ensuring, where possible, that rates of pension benefit applicable to Executive Directors, Corporate Officers and the Company Secretary are aligned with those for the wider workforce;
- (k) approve service agreements and all material amendments thereto;
- (l) decide on any ex-gratia payments to be made and benefits granted to such persons and their surviving spouses;
- (m) determine the terms of severance, including with respect to Executive Directors, loss of office payments together with approving any settlement of claims in connection with severance, ensuring that any payments made are fair to the individual and the Company that failure is not rewarded and in respect to payments to Executive Directors that they are made within the terms of the approved Remuneration Policy and work in conjunction with the Disclosure Committee to agree that the severance arrangements disclosed in the stock exchange announcement, and on the Company website, for a departing Executive Director are accurate ;
- (n) approve, where approval is required, Executive Directors’ and Corporate Officers’ and the Company Secretary’s interests outside the Company and its subsidiaries;
- (o) in determining such policies, targets, packages and arrangements, give due regard to the provisions of and recommendations in the Code, the DTRs and associated guidance;
- (p) agree the policy for authorising claims for Executive Directors’, Corporate Officer and the Company Secretary’s expenses;
- (q) agree share ownership guidelines for Executive Directors, Corporate Officers and the Company Secretary; and
- (r) work and liaise as necessary with all other Board Committees.



Corporate Governance / Regulatory Developments

25. 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

26. 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.

Resources and Training

27. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company's Secretariat for assistance as required.
28. The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

Reporting Procedures

29. Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chairman. The notice of meeting, proposed agenda and associated papers should be circulated to Committee members in good time for each meeting.
30. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board unless a conflict of interest arises. The Committee Chairman shall keep the Board informed of Committee activity and engage with the Board as appropriate on key decisions.
31. Through the Committee Chairman, Chairman of the Board and the Company Secretary, the Committee should ensure that the Company maintains contact as necessary with its principal shareholders over remuneration matters.
32. Through the Committee Chairman and the Company Secretary, the Committee should engage with the workforce each year in order to explain how the pay policy of the entire workforce has been taken into account when setting pay and how executive remuneration aligns with the wider Company pay policy.

Publication of Terms of Reference

33. 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 January 2004;
- the appointment of Sir Robert Wilson as Committee Chairman in place of Mr John McArthur with effect from 17 May 2004;
- the retirement of Sir Peter Job with effect from 31 December 2004;
- the appointment of Dr Ronaldo Schmitz on 25 May 2005;



- the appointment of Sir Christopher Gent on 1 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 May 2009;
- Sir Robert Wilson stepped down as Chairman of the Committee with effect from 20 May 2009;
- the appointment of Sir Crispin Davis as Chairman of the Committee with effect from 20 May 2009;
- the appointment of Tom de Swaan to the Committee with effect from 20 May 2009;
- the appointment of James Murdoch to the Committee with effect from 1 October 2009;
- Sir Robert Wilson ceased to be a member of the Committee with effect from 25 March 2010;
- the adoption of the UK Corporate Governance Code which replaced the Combined Code with effect from 1 July 2010;
- the retirement of James Murdoch from the Committee with effect from 3 May 2012;
- the appointment of Sir Deryck Maughan to the Committee with effect from 1 July 2012;
- the retirement of Larry Culp from the Committee with effect from 1 October 2012;
- the appointment of Tom de Swaan as Chairman of the Committee with effect from 1 January 2013. Sir Crispin Davis, formerly Chairman, retired from the Committee with effect from 1 January 2013;
- the appointment of Judy Lewent to the Committee with effect from 1 January 2013;
- the appointment of Dr Stephanie Burns to the Committee with effect from 1 May 2013;
- the appointment of Hans Wijers to the Committee with effect from 10 October 2013;
- changes to Remuneration reporting regulations;
- amendments to the UK Corporate Governance Code and other relevant best practice developments;
- the appointment of Urs Rohner with effect from 1 January 2015;
- the retirement from the Committee of Sir Christopher Gent and Tom de Swaan with effect from 7 May 2015 and the appointment of Urs Rohner as Chairman of the Committee with effect from 8 May 2015;
- the appointment of Vindi Banga with effect from 1 January 2016 and best practice and regulatory developments;
- the retirement from the Committee of Dr Stephanie Burns, Sir Deryck Maughan and Hans Wijers with effect from 5 May 2016;



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- the appointment of Dr Vivienne Cox with effect from 1 January 2017;
 - best practice and regulatory developments;
 - release of the 2018 version of the UK Corporate Governance Code; and
 - release of the Companies (Miscellaneous Reporting) Regulations 2018.