



REMUNERATION COMMITTEE

TERMS OF REFERENCE

(Approved by the Board on 12 December 2003.
Last updated on 1 April 2017)

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. 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. The Chairman of the Board shall not be the Committee Chairman.



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.
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, Reward 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 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, in consultation with other Committee members as appropriate. Any such decisions will be minuted at the next Committee meeting.

Duties

19. The Committee shall set the broad policy for and determine the remuneration of the Executive Directors, the Chairman and other Corporate Officers identified from time-to-time. The Committee shall also recommend and monitor the level and structure of remuneration for senior management.
20. 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.
21. 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.

Executive Remuneration

22. 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 (together the “Remuneration Regulations”), the Code, the Listing, Prospectus, Disclosure 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 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;
 - (iii) ensure performance related elements of the Company’s remuneration policy are transparent and rigorously applied.
 - (c) within the terms of the approved Remuneration Policy, determine the total individual remuneration packages of the Executive Directors and Corporate Officers including, where appropriate, bonuses, incentive payments and share based awards;
 - (d) when setting and reviewing remuneration policy and levels for Executive Directors and Corporate Officers,
 - (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;
 - (iii) determine an appropriate balance between fixed and performance-related remuneration;
 - (iii) ensure that remuneration incentives are compatible with the Company's risk policies and systems;
 - (iv) 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 period after leaving the Company;
- (e) not make payments to Directors that fall outside of the approved Remuneration Policy, unless otherwise approved separately by shareholders;
 - (f) approve the design of, and determine targets for any performance-related awards to Executive Directors and Corporate Officers 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;
 - (g) review individual performance for the purposes of determining remuneration levels;
 - (h) 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 and Corporate Officers reflect actual achievements;
 - (i) determine the policy for, and scope of, pension arrangements for each Executive Director and Corporate Officers;
 - (j) approve service agreements and all material amendments thereto;
 - (k) decide on any ex-gratia payments to be made and benefits granted to such persons and their surviving spouses;
 - (l) 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 for a departing Executive Director are accurate ;
 - (m) approve, where approval is required, Executive Directors and Corporate Officers' interests outside the Company and its subsidiaries;
 - (n) 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;
 - (o) agree the policy for authorising claims for Executive Directors' expenses;
 - (p) agree share ownership guidelines for Executive Directors and Corporate Officers; and



- (q) work and liaise as necessary with all other Board Committees.

Corporate Governance / Regulatory Developments

24. *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

25. 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

26. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board unless a conflict of interest arises.
27. 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.

Publication of Terms of Reference

28. 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; and
- the appointment of Dr Vivienne Cox with effect from 1 January 2017.