

## **JARVIS plc**

### **REMUNERATION COMMITTEE**

#### **TERMS OF REFERENCE**

##### **Status and Function**

- 1) The Remuneration Committee (“the Committee”) is a sub committee of the Board of Jarvis plc. These terms of reference and membership shall be regulated in accordance with the Articles of Association of the Company. The Committee reports to the Board and to the shareholders of the Company.

The Committee makes recommendations to the Board on the broad policy of the Company for balanced executive remuneration and specific remuneration packages for Executive Directors and other senior staff who report to the Chief Executive Officer. When these matters have been agreed the Committee will determine the details of pay incentives and benefits packages for Executive Directors and Senior Executives. The authority shall extend to pension rights, terms of service contracts, equity and non-equity based incentive schemes and, if appropriate, compensation terms on early termination of a Director’s service contract.

For the avoidance of doubt the Committee shall not consider remuneration of non-executive directors but is a matter reserved for the Board.

In framing its policy, full consideration should always be given to Corporate Governance requirements and to the best practice provisions set out in Section B of the Code of Best Practice as annexed to the Stock Exchange Listing Rules. The Committee may obtain both internal and external legal or other professional advice and secure the attendance of both internal and external advisers with relevant expertise and experience to report as necessary on matters within the terms of reference of the Committee, all costs in respect of which shall be borne by the Company. The Committee may take note, where relevant, of the views of bodies such as the DTI, the ABI and the NAPF.

##### **Membership**

- 2) The Committee shall comply with Corporate Governance requirements and have a minimum of three members, all of whom shall be non-executive directors of the Company appointed by the Board. The Board shall appoint the Chairman of the Committee, who shall be an independent non-executive director of the Company. The role of the Chairman of the Committee shall be separate to that of the Board Chairman. The appointments may be subject to rotation or re-confirmation as the board may determine. The Company Secretary shall act as Secretary to the Committee

### **Quorum**

- 3) In certain urgent circumstance as agreed by the Committee, the presence of two members of the Committee in person or by telephone communication where attempt has been made to contact all members and the secretary shall constitute a quorum.

### **Attendance**

- 4) The Committee may request the attendance of any executive director or senior executive of the Company if they consider that this would help them in their deliberations. The Chief Executive and the Human Resources Director will normally be in attendance, the latter to service particular agenda items, at the discretion of the Chairman of the Committee. Such attendance shall always be subject to the provisions of clause 5 hereof. The Committee may from time to time meet without any Executive Directors present for general discussions of policy and to resolve matters of concern to the non-executive Directors.

### **Conflict of Interest**

- 5)
  - a) Any Executive Director should withdraw from the Meeting if his or her personal interests are under consideration;
  - b) Any executive director in attendance by invitation for specific items should withdraw from the meeting when the remuneration of any executive chairman of the Company is under discussion.

### **Agenda**

- 6) The agenda for formal meetings of the Committee shall, except in matters of extreme urgency, be circulated at least seven days before each meeting to Members of the Committee.

### **Frequency of Meetings**

- 7) The Committee shall meet a minimum of four times a year with other meetings as frequently as required.

### **8) Decisions**

Decisions of the Committee shall be decided on a majority of those members in attendance.

### **Minutes**

- 9) A minute of every Meeting of the Committee whether or not convened telephonically shall be prepared and, after approval and signature by the Committee Chairman, shall be entered in the Minute Book of the Company kept for this purpose.

## Responsibilities

10)

- a) To be aware in general terms of the remuneration policies applied to the Company, including any subsidiary or associated companies thereof, having regard to relevant market comparisons and practice, and to commission necessary surveys aimed at establishing the Company's market position or exploring particular aspects of remuneration.
- b) To ensure that the Company's remuneration policies and practices for Executive Directors facilitate the employment and motivation of top quality personnel and adequately reward individual contributions made to the Company while at the same time remaining justifiable in terms of the Company's performance and a comparison with relevant comparator companies.
- c) To consider and determine the remuneration arrangements (including bonuses, pension rights, service contracts and compensation payments) of Executive Directors of the Company and to review and authorise on behalf of the Company service contracts with Executive Directors;
- d) To consider and advise upon the general salary structure, remuneration package and terms and conditions of employment of the non-Board directors and Senior Executives of the Company in order to ensure that the appropriate relationship exists with those for Executives Directors and so that the Company remains competitive in this field;
- e) To keep under review the long term incentive plans or employee share schemes operated by the Company in light of legislative and market developments and overall remuneration policy, and to determine the awards or options under such schemes together with performance conditions (if any) attached thereto;
- f) To consider and approve any terms of severance, compensation or notice periods for Executive Directors or Senior Executives of the Company;
- g) To review the senior staff succession and development planning of the Company and take these requirements into account where necessary when advising on remuneration policies;
- h) In matters of reporting and disclosure:
  - i) To prepare on behalf of the Board an Annual Remuneration Report to Shareholders, such Report shall be prepared by the Committee in line with the requirements of Schedule 7a of the Companies Act 1985 and, after approval by the Board, shall form part of or be annexed to, the Companies Annual Report and Accounts the Report shall state whether or not the Company has complied throughout the accounting period with the provisions of Section A of the Code of Best Practice as annexed to the London Stock Exchange Listing Rules. It should also comment, where relevant upon compliance with best practice corporate governance requirements.
  - ii) To invite Shareholders to approve the Remuneration Report by resolution at a General Meeting of the Company;
  - iii) To account directly to shareholders for decisions of the Committee by the attendance of the Chairman of the Committee at the Annual General Meeting of the Company to answer shareholders' questions on Directors' remuneration; and

- iv) To invite shareholders to approve the adoption of, or any significant amendment to, all share based schemes where shareholders funds may be committed for more than one year ahead or which dilute the equity.
- i) To review from time to time the Company's Code of Practice in relation to the acquisition, dealing with or disposal by Directors and Senior Executives or their families of shares or other securities of the Company;

### **Timing of Meetings**

- Meeting 1 - One month before the start of the financial year approximately when the annual budget has been approved and staff performance objectives set;
- Meeting 2 - One month approximately after the end of the financial year when audited Company performance results are available, for the purpose of approving bonus payment proposals and any other necessary items;
- Meeting 3 - Two weeks approximately after the half-year date to review the progress against performance objectives and policy development planning;
- Meeting 4 - At the end of the first quarter to review remuneration policy, succession plans and take advice from expert remuneration consultants.

### **Facilitation**

The HR Director and Company Secretary will assist the Chairman of the Remuneration Committee in defining a rotating standard meeting agenda in the provision of timely support papers and proposals and in issuing prompt minutes for signature.

Date agreed: 8 May 2003