

**Compass Group PLC (the *Company*)**

**Remuneration Committee Terms of Reference**

**Adopted by the Board on 18 November 2014**

**Constitution**

1. The Board of Directors of the Company (the ***Board***) resolved on 7 December 2000 to establish a Committee of the Board to be known as the Remuneration Committee (the ***Committee***).
2. The Board has resolved to amend the Terms of Reference of the Committee. These Terms of Reference replace in their entirety those adopted on 7 December 2000, 8 June 2004, 23 November 2007 and 10 November 2010.
3. The Company shall ensure that these Terms of Reference are made generally available by means of publication on the Company's website and by making them available from the Company on request.

**Membership**

4. The Committee shall be appointed by the Board from time to time and shall comprise at least three members, all of whom shall be independent non-executive directors of the Company.
5. The quorum necessary for the transaction of business shall be two members. 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.
6. The Committee Chairman shall be an independent non-executive director as may from time to time be appointed by the Board. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
7. The Company Secretary or his/her nominee shall be Secretary of the Committee.

**Conflicts of Interest**

8. 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; or
  - (b) any potential conflict of interest arising from a cross-directorship.
- 8.1 Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions

concerning such resolutions and (if so required by the Board) shall resign from the Committee.

8.2 No member shall be involved in any decisions as to their own remuneration.

8.3 The Committee should take care to recognise and manage conflicts of interest when receiving views from executive directors or senior management, or consulting the Chief Executive about its proposals.

### **Attendance at meetings**

9. Meetings may be held by telephone and by any other means of communication.

10. 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 advisers may be invited to attend for all or part of any meeting as and when appropriate.

11. 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 to any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### **Frequency of meetings**

12. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.

13. The Committee shall meet at least twice a year and at such other times as the Committee Chairman shall require.

### **Minutes**

14. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.

15. The Secretary shall promptly circulate the minutes to all members of the Committee and to all other members of the Board.

### **Authority**

16. The Committee is authorised by the Board to investigate any activity within these Terms of Reference and to make whatever recommendations to the Board it deems appropriate in any area within its remit. It is authorised to seek any information it requires from any employee of the Company and of the Group in order to perform its duties, and all employees are directed to co-operate with any request made by the Committee.

17. The Committee is authorised by the Board to obtain, at the Company's expense, internal or external legal or other independent professional advice on any matters within its Terms of Reference, as the Committee considers appropriate.

### **Duties**

18. The duties of the Remuneration Committee shall be to:

- (a) make recommendations to the Board, on the Company's framework or broad policy for the remuneration of the Chief Executive, Chairman, executive directors, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Board and will reflect the time commitment and responsibilities of the role;
- (b) take into account all factors which it deems necessary, in determining such policy. The objective of such policy shall be to promote the long term success of the Company and to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- (c) review the ongoing appropriateness and relevance of the remuneration policy;
- (d) ensure that remuneration incentives are compatible with the Company's risk policies and systems;
- (e) on behalf of the Board and within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine specific remuneration packages and terms of appointment for each of the executive directors including bonuses, incentive payments, share options or other share awards, pension rights and any compensation payments and ensure that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- (f) set notice or contract periods at one year or less and, if it is necessary to offer longer notice or contract periods to new executive directors, to reduce such period to one year or less after an initial period;
- (g) periodically review the overall remuneration of those employees who report directly to the Chief Executive and any employees in the Group paid at an annual rate of £300,000 (or the local currency equivalent) or above;
- (h) periodically review and note annually the ongoing remuneration philosophy and trends for all employees across the Company or Group; and
- (i) keep the Chairman of the Board fully informed of the Committee's actions.

19. In carrying out its duties under these Terms of Reference, the Remuneration Committee should have regard to the terms of the UK Corporate Governance Code

(the *Code*) (set out in the Listing Rules of the UK Listing Authority (the *Listing Rules*)) which provide that the Remuneration Committee should:

- (a) design executive directors' remuneration packages with a view to promoting the long term success of the Company and with transparent, appropriately stretching and rigorously applied performance-related elements;
- (b) judge where to position the Company relative to other companies. They should be aware what comparable companies are paying and should take account of relative performance (but they should use such comparisons with caution, in view of the risk that they can result in an upward ratchet of remuneration levels with no corresponding improvement in performance and should avoid paying more than is necessary);
- (c) be sensitive to pay and employment conditions elsewhere in the Company and its subsidiaries and to prevailing market conditions and governance trends, especially when determining annual salary increases;
- (d) ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive directors. In addition to these elements being transparent, appropriately stretching and rigorously applied they should align their interest with those of shareholders and give them keen incentives to perform at the highest levels;
- (e) ensure that executive share options are not offered at a discount save as permitted by the Listing Rules;
- (f) in designing performance-related pay schemes, follow the provisions in Schedule A of the Code including those relating to the balance between immediate and deferred remuneration and holding periods for vested equity awards; and
- (g) include within such schemes provisions that would enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.

20. Without prejudice to the generality of the Terms of Reference to the Committee set out above, the Committee shall:

- (h) operate the Company's share option schemes/other incentives schemes (if any) as they apply to, and determine grants of options to be made to, executive directors. It shall recommend the total aggregate amount of any grants to employees (with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment);
- (i) liaise with the trustee of any employee share scheme which is created by the Company for the benefit of employees or directors;
- (j) review the terms of executive directors' service agreements from time to time;

- (k) oversee any major changes in employee benefits structures throughout the Company or Group; and
- (l) be responsible for establishing the selection criteria, selecting, appointing and setting the Terms of Reference for any remuneration consultants who advise the Committee. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations. Where remuneration consultants are appointed, a statement of whether they have any other connection with the Company will be made available on the Company's website.

### **Reporting**

21. The Committee Chairman shall attend the Annual General Meeting (*AGM*) prepared to respond to any shareholder questions on the Committee's activities.

22. The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the AGM. The members of the Committee shall be identified in the Remuneration Report to shareholders as well as the frequency of, and individual attendance by members at, Committee meetings.

23. Where an executive director is released to serve as a non-executive director elsewhere, the Committee will ensure that a statement is included in the Remuneration Report as to whether or not the director will retain such earnings and, if so, what the remuneration is.

### **Other Matters**

24. The Committee shall regularly 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.

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Note:

Alithos Limited conducts total shareholder return performance monitoring in connection with the Company's long term incentive plans, but has no further connection to the Company or the Group.

PricewaterhouseCoopers LLP provides general human resource, compensation, global employment taxation advice and ad hoc due diligence services to both the Company and the Group.