



Terms of reference for the Remuneration Committee

The Remuneration Committee of the Board of Directors has been established with delegated powers in accordance with Article 92 of the Articles of Association. **These Terms of Reference are effective from 1 January 2018.**

1. Membership

- 1.1 The Remuneration Committee ("the Committee") shall comprise at least three members, all of whom shall be independent non-executive directors. 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. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee and in consultation with the Chairman of the Committee.
- 1.2 The Board should appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be the Committee Chairman.
- 1.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended by no more than two additional three-year periods so long as each director (other than the Chairman of the Board) continues to be independent.
- 1.4 The quorum necessary for the transaction of business shall be two. 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.

2. Attendance at meetings

- 2.1 The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee shall require.

- 2.2 The Company Secretary or their nominee shall act as the secretary of the Committee.
- 2.3 Only members of the Committee have the right to attend meetings of the Committee, however the Committee may invite the Chairman of the Board, the Chief Executive or any other person to attend any meeting of the Committee, as appropriate.

3. Notice of meetings

In general, 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 and any other person required to attend, no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to members and to other attendees, as appropriate, at the same time.

4. Minutes of meetings

Minutes of Committee meetings shall be circulated to all members of the Committee and be available to all other members of the Board unless it would be inappropriate to do so.

5. Duties

The Committee shall:

- 5.1 have responsibility for setting a relevant and appropriate remuneration policy for all executive directors and the Chairman of the Board, including pension rights and any compensation payments, and ensure that the remuneration policy is put to shareholders for approval at the AGM at least every three years. The Finance Committee of the Board should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. No director or senior executive shall be involved in any decisions as to their own remuneration

- 5.2 Recommend and monitor the level and structure of remuneration for senior executives, being the members of the Executive Committee;
- 5.3 in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the Code) and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Group successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Group and alignment to the Group's long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long-term success of the Group.
- 5.4 determine the policy for and scope of pension arrangements for each executive director and other senior executives, being the members of the Executive Committee;
- 5.5 within the terms of the agreed policy and in consultation with the Chairman of the Board and Chief Executive determine the total individual remuneration packages of each executive director, the Chairman of the Board and other senior executives, being the members of the Executive Committee, including bonuses, incentive payments and share options or other share awards.
- 5.6 When setting remuneration policy for directors, review and have regard to pay and employment conditions across the Group, especially when determining annual salary increases.
- 5.7 review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives, being the members of the Executive Committee, and the performance targets to be used;
- 5.9 agree the terms of service agreements for the Chief Executive and executive directors, ensuring that failure will not be rewarded in regard to termination terms and the duty to mitigate loss is fully recognised;
- 5.10 be consulted concerning any major changes in employee benefit structures throughout the Group;

- 5.11 agree a policy for authorising claims for expenses from the directors;
- 5.12 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfill its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board; and
- 5.13 approve the design of, and determine targets for, any Group performance related pay schemes and approve the total annual payments made under such schemes.
- 5.14 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee. Regularly review the performance of external remuneration consultants.

6. Reporting responsibilities

- 6.1 The Committee Chairman shall report to the Board on its proceedings after each meeting;
- 6.2 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce a report of the Group's remuneration policy and practices to be included in the Group's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the Committee has appointed remuneration consultants, the annual report of the Group's remuneration policy should identify such consultants and state whether they have any other connection with the Group;
- 6.3 Through the Chairman of the Board, ensure that the Group maintains contact as required with its major shareholders about remuneration;
- 6.4 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.



7. Other matters

The Committee shall:

- 7.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required. The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference
- 7.2 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
- 7.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by investor representation/advisory bodies and any other applicable rules, as appropriate;
- 7.4 arrange for periodic reviews of its own performance and its constitution to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 7.5 Review these terms of reference every two years and recommend any changes it considers necessary to the Board.

As approved by the Meggitt PLC Board of Directors on 19 December 2017.