

**TOMKINS plc**

**REMUNERATION COMMITTEE**

**TERMS OF REFERENCE**

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#### **Membership**

1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least three members and each member of the Committee shall be either an independent non-executive Director or the Chairman.
2. Only members of the Committee have the right to attend Committee meetings. However, other individuals and external advisers may be invited to attend for all or part of any meeting as and when appropriate and to speak at such meetings.
3. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent.
4. The Board shall appoint the Chairman of the Committee who shall be an independent non-executive Director and although the Chairman of the Board might qualify as a member of the Committee, the Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee. 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. The Chairman of the Board shall not be Chairman of the Committee in this circumstance.
5. The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

#### **Meetings**

1. The Committee shall meet formally at least twice a year and at such other times as the Chairman of the Committee shall require.
2. A meeting of the Committee may be called by any member of the Committee or by the Secretary.
3. The quorum necessary for the transaction of business by the Committee 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.
4. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
5. Unless otherwise agreed, notice of each meeting of the Committee, confirming the venue, time and date, together with an agenda of items to be discussed shall be delivered to each member of the Committee and any other person required to attend, not less than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
6. A meeting of the Committee may consist of a conference between members who are not all in one place, but of whom each is able (directly or by telephonic or electronic communication) to communicate with each of the others simultaneously, and the word "meeting" shall be construed accordingly.
7. The Secretary shall keep appropriate records of all meetings of the Committee with appropriate minutes of the proceedings and resolutions, including the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.
8. A resolution in writing signed by all members of the Committee shall be as effective as a resolution passed at a meeting of the Committee.

#### **Annual General Meeting**

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## Duties and responsibilities

### 1. *Formulation of Remuneration Policy*

The Committee shall be responsible for formulating policy for the remuneration of the Company's Chairman, Chief Executive Officer, executive Directors and certain senior managers. The objective of such policy shall be 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.

In formulating this policy, the Committee shall address all of the main elements of total remuneration, take into account factors that it deems necessary and ensure the correct balance of performance-related components and other elements of the whole remuneration package are in line both with shareholder interests and with best practice.

The Committee shall agree the policy for authorising claims for expenses from the Chief Executive Officer and Chairman.

The Committee will keep under review the ongoing appropriateness and relevance of the remuneration policy, and the people to whom it applies.

### 2. *Determination of Total Remuneration*

Within the terms of the agreed policy, the Committee shall review and determine the total individual remuneration packages of each executive Director including, where appropriate, basic salary, performance-related incentives, both short and longer-term (that is, annual bonus, share options and share grants), pension arrangements and other benefits-in-kind including motor cars, private health insurance and annual leave, for approval by the Board.

In respect of individual parts of the remuneration package, the Committee shall:

- (i) **Base Salaries**  
In respect of each executive Director, ensure that base salary, as a component of the total remuneration package is appropriate and is kept under review;
- (ii) **Annual Bonus Incentives**  
Approve the design of, any changes to, and determine performance targets for, annual bonuses or profit distribution, and vet (via independent scrutineers if appropriate) and approve annual payments made under such schemes;
- (iii) **Longer Term Incentives**  
Review the design, including performance criteria, of all share incentive plans and any changes thereto, for approval by the Board. For any such plans, determine each year whether awards will be made, and if so, the total amount of such awards, the individual awards to executive Directors and review the awards for other senior executives and the reasons supporting the recommendations;
- (iv) **Pension Arrangements**  
Determine the policy and the appropriate arrangements for pension provision for each executive Director;
- (v) **Expenses**  
Ensure that arrangements and procedures for the approval of expenses are appropriate and provide for the proper vetting and approval of claims submitted by the Chairman, Chief Executive Officer and executive Directors;
- (vi) **Other Components and Benefits-in-Kind**  
Determine other elements of total remuneration including benefits-in-kind (motor cars, annual leave, private health insurance etc.) and ensure they are appropriate within the total remuneration package for executive Directors and review benefits-in-kind for senior management.

No Director or manager shall be involved in any decisions as to their own remuneration.

The remuneration of non-executive Directors shall be a matter for the Chairman and executive members of the Board.

### 3. *Consultation*

The Committee shall:

- (i) consult with the Chairman of the Board and the Chief Executive Officer in formulating the Committee's remuneration policy and in determining specific remuneration packages (other than in respect of the Chairman of the Board and Chief Executive Officer);
- (ii) keep the Chief Executive Officer informed of the Committee's actions; and
- (iii) within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive Officer as appropriate in the terms of the agreed policy, review and determine the total individual remuneration package of each executive Director and review the total individual remuneration package of certain senior executives below Board level (the identity of whom is to be agreed by the Chief Executive Officer of the Company) including, where appropriate, basic salary, any benefits-in-kind, annual bonuses and participation in any long term incentive plans.

### 4. *Seeking Specialist advice*

The Committee shall:

- (i) commission independent studies from such bodies as it sees fit, into the forms and levels of compensation provided by other organisations;
- (ii) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee; and obtain reliable, up-to-date information about remuneration in other companies;
- (iii) have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations; and
- (iv) review and note annually the remuneration trends across the Company or group.

### 5. *Service Agreements and Contracts and Termination Arrangements*

The Committee shall

- (i) determine the terms of individual Director's service agreements or contracts of employment and any changes thereto for approval by the Board; and
- (ii) ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

### 6. *Corporate Governance*

The Committee shall, in determining remuneration packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code, the UK Listing Authority's Listing Rules and associated guidance, Association of British Insurers guidelines and the New York Stock Exchange's listing rules.

### 7. *Disclosure and Reporting to shareholders*

The Committee shall ensure that:

- (i) all provisions regarding disclosure of remuneration including pensions, as set out in Schedule 7 Companies Act 1985, the Combined Code and under the Sarbanes-Oxley Act and any other statutory or listing requirements are fulfilled; and
- (ii) the Chairman of the Committee or, in his or her absence, an appointed deputy attends the Company's Annual General Meeting to respond to any shareholder questions on the Committee's activities.

## **Reporting Responsibilities**

- a. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- b. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- c. 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.

### **Other**

The Committee shall, at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

### **Authority**

The Committee shall be authorised to:

1. Investigate any activity within its terms of reference and seek any information it requires from any employee of the Company (all employees being directed to co-operate with any such request by the Committee) in order to perform its duties.
2. When the fulfilment of its duties requires, to obtain any outside legal or other independent professional advice including the advice of independent remuneration consultants, to secure the attendance of external advisers at its meetings if it considers this necessary, and to obtain reliable, up-to-date information about remuneration in other companies, at the Company's expense. The Committee shall have full authority to commission any reports or surveys, which it deems necessary to help it fulfil its obligations.
3. Exercise all the powers under the Rules of the Company's Share Option Schemes and other incentive schemes including (but not limited to) the determination of grants of options.