

## PUNCH TAVERNS PLC

### TERMS OF REFERENCE FOR REMUNERATION COMMITTEE

#### 1. Membership

- 1.1 The Committee shall consist of at least three members, each of whom shall be independent non-executive directors of the Company. The members of the Committee and the chairman of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and, in the case of Committee members, in consultation with the Chairman of the Remuneration Committee. Notwithstanding that, 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 the remaining members present shall elect one of themselves to chair the meeting.
- 1.2 If a regular member is unable to act due to absence, illness or any other cause, the chairman of the Committee may appoint another independent non-executive director of the Company to serve as an alternate member.

#### 2. Secretary

The Company Secretary, or his nominee, shall be the secretary of the Committee.

#### 3. Quorum

The quorum necessary for the transaction of the business of the Committee shall be two. Subject to paragraph 6, 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. Frequency of meetings

Meetings shall be held at least twice a year and at such other times as the Chairman of the Committee shall require.

#### 5. Notice of meetings

Meetings shall be summoned by the secretary of the Committee at the request of the chairman of the Committee by notice to each member of the Committee and any other person required to attend, confirming the venue, time and date, and enclosing an agenda of items to be discussed. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

#### 6. Attendance at meetings

- 6.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the HR Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 6.2 No director or other Committee attendee shall be involved in any decision or be present at any discussions as to his or her own remuneration or contractual arrangements.

#### 7 Authority

- 7.1 The Committee is authorised to seek any information it requires from any employee of the Company or any subsidiary of the Company in order to perform its duties. The Committee is authorised to investigate, at the Company's expense, the remuneration paid by other companies of a similar size in relevant industry sectors in the UK.

7.1 In connection with its duties, the Committee is authorised by the Board, at the Company's expense, to obtain outside legal or other independent professional advice including the advice of independent remuneration consultants and to secure the attendance of external professional advisers at its meetings if it considers this necessary.

## 8 Duties

The duties of the Committee shall be to:

- (A) Make recommendations to the Board on the Company's framework or broad policy for the remuneration of the Company's Chief Executive, Chairman, executive directors and Senior Executives<sup>1</sup>. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board.
- (B) Take into account, in determining such framework, factors which it deems necessary with the objective of ensuring that executive directors and Senior Executives are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner for their individual contributions to the success of the Company.
- (C) Review the ongoing appropriateness and relevance of the remuneration policy.
- (D) 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, whether at the normal annual grant date or some other time in the year, and
  - (i) determine the overall amount of such awards and the individual award levels to executive directors and Senior Executives; and
  - (ii) review individual award levels for individuals below the Senior Executive population.
- (E) Determine targets for any performance-related payments for executive directors and Senior Executives including, without limitation: (i) the setting and monitoring of any performance conditions subject to which any awards may be granted under any long-term incentive schemes adopted by the Company; and (ii) the setting and monitoring of any bonus scheme performance conditions;
- (F) Determine the policy for and scope of the pension arrangements to be established for the executive directors and Senior Executives;
- (G) Ensure that contractual terms on termination of the Chairman or an executive director 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;
- (H) Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of each executive director and Senior Executive including bonuses, incentive payments and share options or other share awards;
- (I) Determine the provision of benefits and settlement of other provisions under the terms of the service agreements or otherwise of executive directors and Senior Executives where these are stated as being at the discretion of the Board;
- (J) Compile a draft annual report on remuneration to the shareholders to be submitted to the Board, in accordance with paragraph 9 below;
- (K) Deal with any other matters referred to the Committee by the Board;

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<sup>1</sup> As defined by the Remuneration Committee

- (L) In determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- (M) Oversee any major changes in employee benefits structures (including pension arrangements) throughout the Company or Group.
- (N) Agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- (O) Ensure that all provisions regarding disclosure of remuneration including pensions, as listed in the Listing Rules, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Combined Code and any other relevant legislation are fulfilled;
- (P) 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 to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

## **9 Reporting Responsibilities**

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 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.
- 9.4 The Committee shall make available these terms of reference on the Company's website.

## **10 Annual General Meeting**

- 10.1 The chairman of the Committee shall attend the annual general meeting of the Company to answer shareholders' questions relating to the executive directors' remuneration and benefits.

## **11 Minutes**

- 11.1 The members of the Committee shall cause minutes to be made of all resolutions and proceedings of the Committee including the names of all those present and in attendance at meetings of the Committee.
- 11.2 Minutes of the Committee shall be circulated by the secretary to all members of the Committee and shall be made available, if requested, to other members of the Board.

Approved by Punch Taverns plc Board – November 2006

[Updated and Approved by the Punch Taverns plc Board in June 2010]