

## **CAPITAL & COUNTIES PROPERTIES PLC**

### **TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

#### **1. CONSTITUTION**

These terms of reference were adopted by resolution of the Board dated 1 August 2011 and amended by resolutions passed on 12 December 2012, 4 November 2014, 27 July 2015, 20 July 2017, 5 June 2018, 14 January 2019 and 3 May 2019.

The Remuneration Committee (the "Committee") is a committee of the Board of Directors of Capital & Counties Properties PLC ("Capital & Counties" or "Company") and answerable to the Board. The meetings and proceedings of the Committee shall be governed by the appropriate clauses of Capital & Counties' Articles of Association.

#### **2. MEMBERSHIP AND ATTENDANCE**

Members of the Committee will be appointed by the Board on the recommendation of the Nomination Committee and (with the exception of the appointment of the Chair of the Committee) in consultation with the Chair of the Committee, and shall comprise a minimum of three non-Executive Directors, all of whom shall be considered independent. Additionally, the Chair of the Board may be a member of the Committee only if they were independent on appointment as Chair of the Board. The current members of the Committee are Ms Boyle (Chair of the Committee), Mr Murphy and Mr Steains, all of whom are "independent" Non-Executive Directors of Capital & Counties. The quorum shall be two members.

The members of the Committee will normally serve for a term of three years after which time they may ordinarily be reappointed for a maximum of two further three year terms of service (provided that the criteria for membership of the Committee continue to be met).

The Committee will be chaired by its Chair, who shall be an independent non-Executive Director of Capital & Counties appointed by the Board and shall ordinarily have served on the remuneration committee of any company for a period of at least 12 months prior to appointment as Chair of the Committee. In the absence of the Chair of the Committee, the Committee shall be chaired by another independent non-Executive Director and member of the Committee.

Other Directors may attend meetings by invitation of the Chair of the Committee or a majority of the Committee.

The Chief Executive will attend meetings when the Committee considers any matter relating to Executive Directors (other than himself), other Senior Managers (as defined in paragraph 5 below) or to Directors of a subsidiary company, or other remuneration issues where the Committee requests his advice or input.

Relevant members of the senior management and external advisors will attend meetings at the invitation of the Committee.

The Company Secretary (or nominee) shall act as the Secretary of the Committee and shall minute the proceedings and resolutions of all Committee meetings.

At the beginning of any meeting, each Director should declare to the Secretary the existence of any potential conflict of interest affecting him in respect of any matter to be discussed and should absent himself from any discussion of or voting on any such matter.

#### **3. FREQUENCY OF MEETINGS**

The Committee shall meet at least twice a year and otherwise as required, including:

- (a) For the purpose of approving the Directors' Remuneration Report in the company's Annual Report, once annually in the period of two months prior to the date of signing the company's Annual Report;
- (b) As appropriate on each occasion, in the month prior to the granting of share options or any share or profit related benefits; and
- (c) Additionally, as requested from time to time by the Chair or a member of the Committee, in order to consider and to determine remuneration issues as set out in 5 hereunder.

#### **4. REPORTING REQUIREMENTS**

Minutes of all meetings of the Committee shall be maintained and kept in a minute book designated for that purpose. The minutes, or a summary of them, shall be submitted to the Board of Directors of Capital & Counties at the next following full Board Meeting, unless it would be inappropriate to do so in the opinion of the Committee Chair.

The agenda for each full Board Meeting shall provide an opportunity for the Chair of the Committee to report verbally on any matters of importance arising from the Committee's activities, and the Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee will produce an annual report on the Company's remuneration for the Group's Annual Report as set out below, and report the frequency of, and attendance by members at, Committee meetings in the annual report.

#### **5. DUTIES AND RESPONSIBILITIES**

##### *Remuneration Policy for Executive Directors and Chairman of the Board*

- 5.1 The Committee will have responsibility for setting the remuneration policy for all Executive Directors, the Chair of the Board and such other members of the executive management as it is designated to consider for such purposes.
- 5.2 When setting the remuneration policy, the Committee shall have regard to:
  - (i) the need to offer remuneration which will attract, retain and motivate individuals of the quality required to run the Company successfully;
  - (ii) whether individuals are rewarded in a fair and responsible manner and provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
  - (iii) all relevant legal and regulatory requirements, the contents of the UK Corporate Governance Code as well as the UK Listing Authority's Listing Rules and associated guidance;
  - (iv) where appropriate, the views of shareholders and other stakeholders;
  - (v) the need for simplicity, clarity, transparency and predictability in setting the remuneration policy and remuneration arrangements (including, where relevant, the metrics and targets of performance-related aspects of remuneration);
  - (vi) the risk appetite and risk management strategy of the Company, and alignment with the Company's risk policies and systems;
  - (vii) the need to promote the long-term success of the Company, and the link between remuneration policy (and the potential remuneration outcomes under it) and the delivery of the Company's long-term strategic goals and performance;

(viii) the alignment of the remuneration policy with the Company's purpose, values and strategy; and

(ix) workforce remuneration policies and practices across the Company or Group.

5.3 The Committee shall periodically review the ongoing appropriateness and relevance of the remuneration policy.

*Setting remuneration for Senior Managers*

5.4 The Committee shall determine the total individual remuneration package of each of:

- (a) the Chair of the Board;
- (b) executive directors of the Company;
- (c) members of the Capital & Counties Executive Committee or equivalent designated group of senior executives;
- (d) the Company Secretary; and
- (e) any other senior executives of the Company that the Committee is determined to have responsibility for,

(and, together, referred to in these Terms of Reference as "Senior Managers"),

including, but not limited to (and where appropriate):

- (i) base salary (or annual fees);
- (ii) benefits or payments in kind;
- (iii) the quantum and terms of participation in any bonuses;
- (iv) pension entitlements (or cash in lieu of pension); and
- (v) the terms of participation in any share incentive plans (and any related terms and/or performance targets).

5.5 The remuneration package of the Chair of the Board and any executive director shall be within the terms of the Company's shareholder-approved remuneration policy.

5.6 A significant proportion of remuneration of Executive Directors should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.

*Share incentive and performance-related plans*

5.7 The Committee shall:

- (a) review and approve the design of all share incentive plans for approval by the Board and shareholders and consider the inclusion of a requirement for shares received on vesting or exercise to be held for a specified period thereafter;
- (b) approve the design of, and determine targets for, any performance-related pay schemes operated by the Company (including any annual bonus arrangements or long-term incentive schemes), approve the total annual payments or grants made under such schemes, and ensure that any performance measures are transparent, stretching and rigorously applied; and
- (c) monitor and assess any performance measures applicable to performance-related schemes and ensure each measure is fully explained and linked to the enhancement of shareholder value.

- 5.8 In designing any share incentive plans or performance-related pay schemes, the Committee shall ensure that it retains discretion to recover or withhold amounts ('malus and clawback') and to scale back remuneration outcomes where appropriate.

*Pensions*

- 5.9 The Committee shall determine the policy for and scope of pension arrangements for each Executive Director, having regard to the pension policies and practices for the Group's wider workforce.

*Service contracts and termination*

- 5.10 The Committee shall ensure that contractual terms for Executive Directors on termination, and any payments made, are within the approved remuneration policy (or if outside the policy approved by shareholders in general meeting), are fair to the individual and the Company, failure is not rewarded and fully recognise the duty to mitigate loss.

*Share ownership guidelines*

- 5.11 The Committee shall be responsible for determining and monitoring any share ownership requirements for Executive Directors.

*Review of wider workforce remuneration*

- 5.12 The Committee shall periodically review workforce remuneration policies and practices across the Company or Group, and in particular the differential between the total remuneration of the highest and lowest groups.

- 5.13 The Committee shall provide regular feedback to the Board on the outcomes and conclusions of its review of workforce remuneration policies and practices.

- 5.14 The Committee shall be aware of, and advise on, any major changes in employee benefit structures throughout the Company or Group.

*General*

- 5.15 The Committee shall:
- a) independently exercise any discretion or judgement on remuneration issued in accordance with the remuneration policy or the terms of any share incentive plan or performance-related pay scheme;
  - b) consider the application of any malus or clawback provisions, and the extent to which such provisions should be applied;
  - c) agree the policy for authorising claims for expenses from Executive Directors and the Chair of the Board;
  - d) ensure that provisions regarding disclosure of remuneration, including pensions, as set out in the Large & Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (as amended) and the UK Corporate Governance Code, are fulfilled;
  - e) produce an annual report on the Company's remuneration for the Group's Annual Report (the Directors' Remuneration Report) containing a Statement by the Chair of the Committee, the Company's Directors' Remuneration Policy and an Annual Report on Remuneration. Every three years (or sooner if changes are proposed to the Remuneration Policy) the Directors' Remuneration Policy shall be put to shareholders for a binding vote at a General Meeting. The Annual Report on Remuneration shall be put to an advisory vote of the shareholders at each AGM;

- f) if 20% or more of votes have been cast against any binding or advisory resolution relating to any aspect of remuneration (including any resolution referred to in paragraph 5.15(e) above), assist the Board in:
    - (i) preparing an explanation of the actions that the Company intends to take to consult shareholders to understand the reasons behind the result, to be included in the announcement of voting results on the relevant resolution;
    - (ii) within six months of the date of the relevant resolution, publishing an update on the views received from shareholders following the shareholder consultation and the actions that the Company has taken in response; and
    - (iii) in the next annual report prepared following the relevant resolution (and, if necessary, in the explanatory notes to the resolutions circulated in advance of the next shareholders' meeting), provide a summary of the impact of the feedback received from shareholders on the decisions of the Board and/or Committee and any actions or resolutions that are proposed;
  - g) ensure that the Company maintains contact as required with its principal shareholders, about remuneration;
  - h) obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants to commission or purchase any reports, surveys or information, and to obtain such outside legal advice or other professional advice on any matters within its terms of reference as it deems necessary, within any budgetary constraints imposed by the Board;
  - i) if the Committee has appointed remuneration consultants, the Annual Report on Remuneration should identify such consultants, and include a statement of their independence;
  - j) be exclusively responsible for establishing the selection criteria, and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
  - k) exercise independent judgement when evaluating the advice of any remuneration consultants or other third parties;
  - l) report the frequency of, and attendance by members at, Committee meetings in the Company's Annual Reports;
  - m) make available to the public, on the Company's website, the Committee's terms of reference. These will be reviewed annually and, where necessary, updated, with the approval of the Board; and
  - n) be responsible for reviewing the results that relate to the Committee resulting from the Board's annual Performance Evaluation. The Committee will review its constitution and terms of reference with a view to ensuring that it is operating at maximum effectiveness, recommending any changes to the Board for approval.
- 5.16 The remuneration of non-Executive Directors, including the Deputy Chairman, will be a matter for determination by the Chairman of the Board and Executive members of the Board.
- 5.17 No person shall be involved in any decisions as to their own remuneration.

3 May 2019