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# **WHITBREAD PLC**

(the “Company”)

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

*Adopted by the Board on 19 April 2017*

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**1. Constitution**

The board of the Company (the “Board”) has established the remuneration committee as a committee of the Board (the “Committee”).

**2. Membership**

2.1 The Committee shall consist of not less than 3 members, each of whom shall be appointed by the Board from amongst the chairman of the Board and the independent non-executive directors. The chairman of the Board may serve on the Committee if he was considered independent on appointment. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee and in consultation with the chairman of the Committee.

2.2 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

2.3 The Board shall elect a chairman of the Committee from those members of the Committee who qualify as independent non-executive directors. If no such chairman shall have been appointed, or, if at any meeting the chairman is not present within thirty minutes after the time appointed for holding the meeting, the members present may choose one of their number to be chairman for the meeting or, if appropriate adjourn the meeting to a later date. The chairman of the Board shall not be chairman of the Committee.

**3. Secretary**

3.1 The Group HR Director shall provide support to the Committee and the Company Secretary shall act as its Secretary.

3.2 The Group HR Director and the Company Secretary shall have independent access to the chairman of the Committee.

**4. Quorum**

The quorum necessary for the transaction of the business of 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.

**5. Attendance at Meetings and Conflicts of Interest**

5.1 The Chief Executive, though not a member of the Committee, would normally be invited to attend meetings of the Committee, except where his own remuneration is being discussed.

5.2 Any non-executive directors who are not members of the Committee shall also be entitled to attend Committee meetings, provided that they first notify the chairman of the Committee of their intention to attend.

5.3 Other employees of the Company and external consultants and advisers may attend meetings by invitation of the chairman of the Committee.

- 5.4 The Committee shall 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.

## **6. Frequency and Notice of Meetings**

- 6.1 Meetings shall be held not less than twice a year.
- 6.2 Meetings may be summoned by any member of the Committee, or the secretary of the Committee at the request of any such member.
- 6.3 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, any additional person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to members of the Committee and to other attendees, as appropriate, at the same time.

## **7. Duties**

The Committee shall:

- 7.1 determine and agree with the Board the framework or broad policy for the remuneration of the Chairman of the Board and the executive directors and monitor the level and structure of remuneration of the members of the executive committee from time to time. The remuneration of non-executive directors shall be a matter for the Chairman of the Board and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;
- 7.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to promote the long term success of the Company and 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;
- 7.3 when setting remuneration policy for executive directors, review and have regard to the remuneration trends across the company or group and externally;
- 7.4 review the ongoing appropriateness and relevance of the remuneration policy;
- 7.5 approve the design of, and determine targets for, any performance related pay schemes operated by the company (where the executive directors are eligible to participate) and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the UK Corporate Governance Code (the "Code")), ensuring that such performance related elements are transparent, stretching and rigorously applied, and include 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
- 7.6 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 members of the executive committee and the performance targets to be used;

- 7.7 determine the policy for, and scope of, pension arrangements for each executive director
- 7.8 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;
- 7.9 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 (including bonuses, incentive payments, share options or other share awards and other benefits) of the Chairman and each executive director;
- 7.10 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate;
- 7.11 review and note annually the remuneration trends across the company or group;
- 7.12 be informed of any major changes in employee benefits structures throughout the company or group;
- 7.13 be advised of any policy amendments affecting the remuneration of members of the 'Whitbread Directors' Forum';
- 7.14 agree the policy for authorising claims for expenses from the Chief Executive, the chairman of the Board and the executive directors; and
- 7.15 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. To help fulfil 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.;

## **8. Authority**

In connection with the performance of its duties, the Committee is authorised by the Board to obtain outside legal or other independent professional advice (including the advice of independent remuneration consultants), to secure the attendance of external professional advisers at its meetings if it considers this necessary and to obtain reliable, up-to-date information about remuneration in other companies. The costs in relation to obtaining such advice shall be borne by the Company. The Committee will be provided with sufficient resources to undertake its duties including the services of the Company Secretary.

## **9. Minutes**

- 9.1 The Secretary of the Committee shall ensure that a written record is kept of all resolutions and proceedings of the Committee including the names of all

those present and in attendance at meetings of the Committee.

- 9.2 The Secretary shall circulate the minutes of the meetings of the Committee to all members of the Committee and once approved by the Committee, to all members of the Board unless it would be inappropriate to do so due to a conflict of interest or for any other reason.

## **10. Accountability to Shareholders and Reporting Responsibilities**

- 10.1 The Committee shall produce an annual report of the company's remuneration policy (the "Remuneration Report") and practices in compliance with the Code and other relevant regulations, 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.
- 10.2 If the Committee has appointed remuneration consultants, they should be identified in the Remuneration Report and state whether they have any other connection with the company.
- 10.3 The Chairman of the Committee, or, in his absence, an appointed deputy shall attend the Company's Annual General Meeting to answer shareholders' questions on the Committee's activities. In the exceptional event that the chairman of the Committee is unable to attend, he should appoint a deputy from amongst the members of the Committee to attend on his behalf.
- 10.4 The Chairman of the Committee shall maintain contact as required with the Company's principal shareholders about remuneration.
- 10.5 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.
- 10.6 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **11. Review of Performance**

The Committee shall, at least once a year, 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.

## **12. Other matters**

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 12.2 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.