

## Vertu Motors plc (Company)

### REMUNERATION COMMITTEE TERMS OF REFERENCE

#### 1. Constitution

The Committee was constituted at a full meeting of the board of directors (**Board**) held on 17 November 2006 in accordance with the articles of association of the Company.

#### 2. Remuneration policy

2.1 The Committee shall determine the framework or broad policy for the remuneration of the company's chairperson, Chief Executive Officer, the other executive directors and the non-director senior management, being the CEO Com members and Vertu House Executive (together the **Senior Executives**).

2.2 The policy for the remuneration of non-executive directors shall be a matter for the Board following recommendation by the Committee. Individual appointment letters for non-executive directors shall be a matter for the executive members of the Board provided that they are line with the agreed policy.

2.3 In determining the remuneration policy, the Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of relevant guidance. The objective of such policy shall be to attract, motivate and retain the executive management of the Company. The remuneration policy should bear in mind the Company's appetite for risk and be aligned to the Company'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 Company.

2.4 When setting the remuneration policy, the Committee shall review and have regard to the pay and employment conditions across the Company's group.

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

2.6 No director or senior manager shall be involved in any decisions as to their own remuneration.

- 2.7 The Committee shall determine the policy for, and scope of, pension arrangements for each executive director.

### **3. Remuneration**

- 3.1 Within the terms of its policy and in consultation with the Chief Executive Officer (other than on his own remuneration), the Committee shall determine the individual remuneration package of the Chairperson and each executive director including bonuses, incentive payments and share options or other share awards and shall approve any service agreement entered into by the Company with any executive director.

- 3.2 The Committee shall monitor the level and structure of remuneration, including pension arrangements, for the Senior Executives with final decisions on individual remuneration being taken by the executive directors in line with policy.

### **4. Group schemes**

- 4.1 The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

- 4.2 The Committee shall approve the design of all share incentive plans for approval by shareholders where necessary. For any such plans, it shall determine each year, based on recommendation from the HR Director and from the Chief Executive Officer (other than on his own awards), whether awards will be made, and if so, the overall type and amount of such awards, the individual awards to executive directors and other Senior Executives, and the performance targets to be used.

### **5. General duties**

- 5.1 The Committee shall ensure that contractual terms on termination of any director, and any payments made, are fair to the individual and the Company; that failure is not rewarded and the duty to mitigate loss is fully recognised

- 5.2 The Committee shall:

- (a) review and note annually the remuneration trends across the Company or group;
- (b) oversee any major changes in employee benefits structures throughout the Company or group;

- (c) agree the policy for authorising claims for expenses from the directors.

- 5.3 The Committee shall ensure that all relevant provisions regarding disclosure of remuneration, including pensions, are fulfilled.
- 5.4 The Committee shall 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 shall obtain reliable, up-to-date information about remuneration in other comparable companies. The Committee shall have full authority to appoint remuneration consultants and to purchase or commission any reports, surveys or information which it deems necessary to help it fulfil its obligations.
- 5.5 The Committee shall consider such other matters as may be requested by the Board and shall work and liaise with other board committees as necessary.

## **6. Membership**

- 6.1 The Board shall appoint the Committee chairperson who shall be an independent non-executive director. In the absence of the Committee chairperson and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of references to be appointed to that position by the Board. The Chairperson of the Board shall not be chairperson of the Committee.
- 6.2 The members of the Committee shall be appointed by the Board. All of the members of the Committee should be independent non-executive directors. Appointments to the Committee shall be for periods of up to three years, which may be extended for two further periods of up to three years, provided the director remains independent (in the opinion of the board).
- 6.3 The Committee shall have at least two members. The Chairperson of the Board may be an additional member provided that they were independent on their appointment as chairperson.
- 6.4 A quorum shall be any two members of the Committee. The members of the Committee can be varied at any time by the Board.

## **7. Voting arrangements**

- 7.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 7.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at that part of the meeting.
- 7.3 Save where he has a personal interest, the chairperson will have a casting vote.

## **8. Attendance at meetings**

- 8.1 The Committee will meet at least twice a year. The Committee may meet at other times during the year as requested by any member of the Committee.
- 8.2 Other directors and external advisers may be invited to attend all or part of any meeting as and when appropriate.
- 8.3 The HR Director shall also attend meetings of the Committee.
- 8.4 The company secretary or his/her nominee shall be the secretary of the Committee. Where the company secretary is also an executive director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without executive directors being present.

## **9. Notice of meetings**

- 9.1 Meetings of the Committee shall be summoned by the company secretary at the request of any of its members.
- 9.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than seven days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee (as appropriate) at the same time.

## **10. Authority**

The Committee is authorised by the board of directors to examine any activity within its terms of reference and is authorised to obtain, at the Company's expense, professional advice on any matter within its terms of reference. A duly convened meeting of the Committee at which

a quorum is present shall be competent to exercise all of any of the authorities, powers and discretions vested in or exercisable by the Committee. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

## **11. Reporting**

Draft minutes of each meeting will be circulated to all members of the Committee. On finalisation and signature by the Chairman, the minutes of each meeting will be submitted to the Board as a formal record of the decisions of the Committee on behalf of the Board.

## **12. General matters**

- 12.1 The chairperson of the Committee should make him or herself available at each Annual General Meeting of the Company to answer questions concerning the Committee's work during the preceding year.
- 12.2 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 of directors for approval.
- 12.3 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 12.4 The Committee shall give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes as appropriate.
- 12.5 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.6 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 QCA Corporate Governance Code, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the Annual General Meeting. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.

- 12.7 The Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.