

## **TERMS OF REFERENCE FOR A REMUNERATION COMMITTEE OF THE BOARD OF SPECTRIS plc**

### **1. Constitution**

The Remuneration Committee shall be formed under the provisions of Article 119 of the Company's Articles of Association and shall conduct itself as prescribed therein.

### **2. Membership**

- (a) The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors. The Chairman of the Board shall also serve on the Committee as an additional member provided he or she was considered independent on appointment as Chairman. The members of the Committee and its Chairman shall be appointed by the Board;
- (b) In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting;
- (c) The Chairman of the Board shall not be Chairman of the Committee and he or she shall not participate in discussions relating to his or her remuneration.

### **3. Secretary**

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

### **4. Quorum**

The quorum necessary for the transaction of business 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. Meetings**

The Committee shall meet at least twice a year and otherwise as required.

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 necessary.

### **6. Notice of Meetings**

- (a) Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman;
- (b) 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 and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

## **7. Minutes of Meetings**

- (a) The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance;
- (b) Draft minutes of Committee meetings shall be circulated promptly to the Chairman of the Committee for review and comment. Once approved, the minutes shall be circulated to all other members of the Board.

## **8. Annual General Meeting**

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

## **9. Duties**

The Committee will carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

The Committee shall:

- (a) determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman, Chief Executive, Executive Directors, Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of the Non-Executive Directors shall be a matter for the Chairman and the Executive Directors. No director or manager shall be involved in any decisions as to their own remuneration;
- (b) in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of the UK Corporate Governance Code and associated guidance. 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;
- (c) when setting remuneration policy for directors, review and have regard to the remuneration trends, pay and conditions across the Company;
- (d) review the ongoing appropriateness and relevance of the remuneration policy;
- (e) within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive where appropriate, determine the total individual remuneration packages of the Chairman, the Chief Executive,

- the Executive Directors, the Company Secretary and other designated senior executives, including bonuses and share awards;
- (f) obtain reliable, up-to-date information about remuneration in other companies. To help it fulfill 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;
  - (g) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
  - (h) approve the design of, and determine targets for, any performance related bonus schemes operated by the Company for the designated senior executives and approve the total annual payments made under such schemes;
  - (i) review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, the Committee shall determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to the Chief Executive, the Executive Directors, the Company Secretary and other designated senior executives and the performance targets to be used;
  - (j) in considering the relative balance between fixed and variable pay and the design of both short and long-term incentives, take due account of any potential risk implications;
  - (k) determine the policy for, and scope of, pension arrangements for the Chief Executive, the Executive Directors, the Company Secretary and other designated senior executives;
  - (l) 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;
  - (m) oversee any major changes in employee benefits structures throughout the Company; and
  - (n) agree the policy for authorising claims for expenses from the Chairman and Chief Executive.

## **10. Reporting Responsibilities**

- (a) The Committee Chairman shall, through circulation of its minutes and, if necessary, presentation, report 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 a report on 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;
- (d) These Terms of Reference shall be made available on request and published on the Company's website.

## **11. Other Matters**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) 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;
- (c) 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;
- (d) arrange for periodic reviews of its own performance and its 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. Authority**

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its Terms of Reference.

January 2011

Updated 14 January 2011