

BRITISH WATERWAYS BOARD

REMUNERATION COMMITTEE – TERMS OF REFERENCE

1. Membership

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. The Committee shall be made up of at least 5 Board members, other than the Chairman of the Board.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Personnel Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.
- 1.4. The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1. The Board Secretary or his nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be 2. 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. Meetings

- 4.1. The committee shall meet not less than once a year and at such other times as may be required. The main meeting will normally be held in May.
- 4.2. Meetings of the Committee may be called by the Secretary of the Committee and shall be called by the Secretary at the request of any of its members.
- 4.3. 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 prior to the date of the meeting in a timely manner.

5. Minutes of Meetings

- 5.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 5.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

6. Duties

The Committee shall:

- 6.1. determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive and the executive directors;
- 6.2. in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that Executive Directors 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 BW;
- 6.3. review the ongoing appropriateness and relevance of the remuneration policy;
- 6.4. approve the design of, and determine targets for, any performance related pay scheme operated by BW for the Chief Executive and executive directors; to review performance accordingly and approve the total annual payments made under such scheme;
- 6.5. determine the policy for, and scope of, pension arrangements for each executive director;
- 6.6. ensure that contractual terms on termination, and any payments made, are fair to the individual, and to BW; that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 6.7. oversee any major changes in employee benefits structures throughout the BW group;
- 6.8. agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- 6.9. ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled; and
- 6.10. 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 organisations. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

7. Reporting Responsibilities

- 7.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 7.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.3. The Committee shall produce an annual report of BW's remuneration policy and practices which will form part of the Annual Report.

8. Authority

- 8.1. The Committee is authorised by the Board to seek any information it requires from any employee of BW (or wholly owned subsidiary) in order to perform its duties.
- 8.2. In connection with its duties the Committee is authorised by the Board to obtain, at BW's expense, any outside legal or other professional advice.