



**LAND SECURITIES GROUP PLC**

**REMUNERATION COMMITTEE**

**TERMS OF REFERENCE**

**Approved by the Board on**

**9 May 2017**



## LAND SECURITIES GROUP PLC

### REMUNERATION COMMITTEE - TERMS OF REFERENCE

**Note:** References to “the Committee” shall mean the Remuneration Committee; references to “the Board” shall mean the Board of Directors; references to “the Company” shall mean Land Securities Group PLC; references to “the Group” shall mean the Company and its subsidiaries and references to “the Directors” shall mean the Directors of the Company.

The expression “Remuneration” shall include salary, non-cash benefits, bonuses, pensions, long-term incentives (including share options and share awards) and contract terms and conditions.

#### 1. Purpose

- 1.1. The primary function of the Committee is to recommend to the Board the remuneration strategy for the Executive Directors and senior management and to determine within that framework a remuneration policy aligned to the long-term success of the Group. Additionally, and having due regard to the financial and commercial position of the Group, to ensure that the Chairman, Executive Directors and senior management are fairly rewarded for their individual contributions to its overall performance.

#### 2. Membership

- 2.1. The Committee is established as a Committee of the Board and shall consist of at least three members, all of whom shall be independent Non-executive Directors. In addition, the Chairman of the Board may serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman. Members of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee in consultation with the Committee Chairman.
- 2.2. The Board shall appoint a Committee Chairman, who shall be an independent Non-executive Director. The Chairman of the Board shall not be the Chairman of the Committee. 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.
- 2.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Group HR Director and external advisers may be invited by the Committee Chairman to attend for all or part of any meeting, as and when appropriate.
- 2.4. Appointments to the Committee shall be for an initial period of up to three years extendable by no more than two additional three year periods, provided the Director continues to be independent.

#### 3. Secretary

- 3.1. The Company Secretary, or their nominee, shall act as the Secretary of the Committee.

#### **4. Proceedings**

- 4.1. Meetings and proceedings of the Committee shall be governed by the provisions of the Articles of Association. The Committee shall meet at least three times a year and otherwise as required. Meetings of the Committee shall be convened by the Company Secretary at the request of the Committee Chairman.
- 4.2. Agendas and relevant papers shall be circulated to all members of the Committee and, in whole or in part as appropriate, to other invited attendees in good time in advance of each meeting.

#### **5. Quorum**

- 5.1. The quorum necessary for the transaction of business shall be two members. 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.

#### **6. Minutes of meetings**

- 6.1. The Secretary shall minute the proceedings and decisions of all Committee meetings.
- 6.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all other members of the Board, unless (as determined by the Committee Chairman) it would be inappropriate to do so.

#### **7. Annual General Meeting**

- 7.1. The Committee Chairman should attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

#### **8. Responsibilities of the Committee**

The Committee shall:

- 8.1. determine an overall strategy for remuneration and have responsibility for setting the policy for, and monitoring and recommending the level of, the remuneration of the Executive Directors and such other members of senior management as it is designated to consider (the "Executive Team"). The remuneration of the Chairman and Non-executive Directors shall be a matter for the Board within the limits set out in the Company's Articles of Association. No individual shall be involved in any decisions relating to their own remuneration;
- 8.2. recognise and manage conflicts of interest, in particular when receiving views from members of the Executive Team or consulting with the Chief Executive about its proposals;
- 8.3. in determining the remuneration 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 ("Code") and associated guidance. The objective of such policy shall be to ensure that members of the Executive Team are provided with remuneration which is designed to promote the long-term success of the Group. This shall incorporate, as appropriate, performance-related elements which are transparent, stretching and rigorously applied so as to encourage enhanced performance and to, in a fair and responsible manner, reward individual contributions to the success of the Group. The remuneration policy shall be compatible with risk policies and systems and be aligned to the Company's long-term strategic goals;

- 8.4. review the ongoing appropriateness and relevance of the remuneration policy;
- 8.5. when setting the remuneration policy for the Executive Team, review and note pay and employment conditions across the Group, especially when determining annual salary increases;
- 8.6. approve the design of and determine the targets for any performance related remuneration schemes or share incentive plans which may be introduced or maintained by the Group and are subject to Board and/or shareholder approval where appropriate. When setting such targets, the Committee shall seek to align those targets with the Group's strategic objectives and KPIs. The Committee shall also determine whether such targets have been met and approve the total annual pay-outs to be made under such schemes;
- 8.7. approve the awards to be made under any share incentive plans and if so, the phasing and overall amount of such awards together with the corresponding vesting and additional holding periods (both during and post-employment), as appropriate, and the minimum shareholding requirements, if any, of the Executive Directors;
- 8.8. approve pension arrangements or payments in lieu of pension for the Executive Team;
- 8.9. determine the policy on provisions that would enable the Company to recover sums paid or withhold the payment of any sum to Executive Directors (whether by way of clawback, malus or otherwise);
- 8.10. 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;
- 8.11. agree the policy for authorising claims for expenses from the Executive Directors and the Chairman;
- 8.12. take whatever measures it deems necessary to ensure that the calculation of awards or payments under performance related remuneration schemes are reviewed where appropriate by either the Group's external auditors or by Risk Management and Internal Audit;
- 8.13. be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants to advise the Committee;
- 8.14. from time to time, obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity and commission or purchase any reports, surveys or information which it deems necessary at the expense of the Group but within any budgetary constraints imposed by the Board; and
- 8.15. oversee any major changes in employee benefits structure throughout the Group.

## **9. Reporting responsibilities**

- 9.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Committee shall compile a report to shareholders, for approval by the Board, on its activities to be included in the Company's Annual Report and Accounts. The report shall include:

9.3.1. an annual Directors' Remuneration Report, made up of an Annual Statement by the Committee Chairman, a Directors' Remuneration Policy Report (which may be excluded from the Directors' Remuneration Report or abridged when not being put to a binding vote at an Annual General Meeting of the Company) and an Annual Remuneration Report;

9.3.2. The Directors' Remuneration Report, excluding the Directors' Remuneration Policy Report to be put to shareholders for an advisory vote of approval at the Annual General Meeting each year. The Directors' Remuneration Policy Report will be put to a binding vote of shareholders at every third Annual General Meeting or on an earlier change of remuneration policy; and

9.3.3. all other disclosure information requirements (including pensions) in accordance with regulations and with the Code.

9.4. The Committee shall ensure that the Company maintains contact as required with its principal shareholders about any matter within its remit.

## **10. Other matters**

The Committee shall:

10.1. consider the disclosures relating to the role of the Committee included in the Annual Report and Accounts;

10.2. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;

10.3. 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;

10.4. give due consideration to laws, regulations and institutional investor guidelines including, but not limited to, the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and guidelines, as appropriate, in particular the guidelines published by the Investment Management Association and the National Association of Pension Funds;

10.5. on an annual basis, review and, if necessary, update its own Terms of Reference requesting Board approval for all proposed changes; and

10.6. on an annual basis, review its membership, evaluate its own performance against its Terms of Reference and best practice, using external evaluators where appropriate, to ensure it is operating at maximum effectiveness. Report the results of this review to the Board and recommend any changes it considers necessary.

## **11. Authority**

The Committee is authorised by the Board in the performance of its duties to:

11.1. investigate any activity within its Terms of Reference;

11.2. seek any information that it requires from any employee (and all employees are directed to co-operate with any request made by the Committee);

11.3. obtain outside legal or other independent professional advice (including the advice of external remuneration consultants) at the Company's expense as necessary;

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- 11.4. secure the attendance of employees or external advisers at its meetings if it considers this appropriate; and
- 11.5. delegate any of its powers to one or more of its members or the Secretary.