

B.P. MARSH & PARTNERS PLC
(“the Company”)

TERMS OF REFERENCE FOR REMUNERATION COMMITTEE
(the “Committee”)

THE REMUNERATION COMMITTEE

Terms of reference

(Adopted by the board on 1st February 2017)

1. The Remuneration Committee

The Remuneration Committee:

- (a) is a sub-committee of the board and shall make recommendations to the board on general policy and determine on behalf of the board specific remuneration packages for each of the executive directors;
- (b) is composed of at least two of the non-executive directors, the managing director and the executive chairman of the company. The quorum for any meeting of the Committee shall be two non-executive directors;
- (c) has a primary responsibility of reviewing remuneration, in its widest sense (see below) and ensuring that it is adequate for current employees as to suitably tie them into our company and also of a sufficient level to attract high calibre employees; and
- (d) will meet sufficiently frequently and for long enough to perform its duties effectively.

2. Membership

- 2.1 There should be a minimum of two members on the Committee at any time, both of which should be non-executive directors.
- 2.2 The majority of members should be independent of management and free from any involvement which might significantly interfere with their ability to judge matters independently (disregarding, for these purposes, directors' fees and shareholdings).
- 2.3 The company secretary shall be the committee secretary and proper minutes shall be kept of its proceedings which shall be circulated to all Remuneration Committee members.

3. Meetings

- 3.1 Remuneration Committee meetings shall be held at least twice a year and otherwise as required.
- 3.2 Meetings of the Committee shall be called by the company secretary at the request of the Committee chairman.
- 3.3 The finance director may attend meetings by invitation of the Remuneration Committee, without being a member.

- 3.4 The executive chairman of the company should attend as a member and be invited to express his/her views but should not be present when his/her own salary is decided or when decisions are taken on performance targets for incentive arrangements in which he/she participates.
- 3.5 The managing director of the Company should attend as a member and be invited to express his/her views, particularly on proposals relating to the remuneration of the other executive directors and of the senior executives of the group, but should not be present when his/her own salary is decided or when decisions are taken on performance targets for incentive arrangements in which he/she participates.

4. Chairman

The members of the Remuneration Committee will elect one of the members of the Remuneration Committee to act as chairman of the Remuneration Committee, who shall not be the executive chairman of the company, and he will be responsible for:

- (a) preparing the agenda;
- (b) the timely distribution of the agenda and any supporting papers;
- (c) reporting to the board on issues and decisions made;
- (d) answering questions about the Remuneration Committee's work at the AGM; and
- (e) briefing any consultants retained to provide independent advice on market practice (and for which advice a budget should be provided, when necessary).

5. Remuneration

'Remuneration' is not confined simply to salaries and bonuses. It now has a wider definition and includes pension arrangements, share options, Share Save schemes, employees' share ownership schemes (ESOP's), Funded Unapproved Retirement Benefit Schemes (FURBS) and anything that is intended as 'pay' for any employee. It also includes fringe benefits e.g. company cars, use of company premises for living purposes and so on. Many of these matters will be covered in service agreements but the Remuneration Committee should determine not only the company's overall policy but also appropriate individual cases. Policy will also involve the purpose or objective of remuneration.

6. Authorisation

- 6.1 The Remuneration Committee shall be authorised to take such external advice as it shall consider appropriate to determine the remuneration, terms of service and incentives of the executive directors.
- 6.2 The Remuneration Committee shall have no authority in relation to the remuneration of the non-executive directors.
- 6.3 The remuneration of non-executive directors shall be a matter for the executive chairman and the executive members of the board, who may delegate such authority to a committee appointed by them. Such committee consisting of the

executive chairman, the Managing Director and the Company Secretary for the time being of the Company.

7. Duties

7.1 The Remuneration Committee shall have regard to and shall comply with the UK Corporate Governance Code (as amended from time to time) relating to remuneration committees or remuneration of directors, so far as practicable for a company of the size and nature as the company, and shall also have regard to any authoritative best practice guidelines for remuneration committees published from time to time.

7.2 The Remuneration Committee shall:

- (a) review and determine on behalf of the board specific remuneration and incentive packages for each of the company's executive directors (including pension rights and any compensation payments) to ensure that the executive directors are fairly rewarded for their individual contributions to the company's overall performance; the review of remuneration and incentive packages should be both on appointment and on each occasion that changes to those packages are proposed;
- (b) keep under review the remuneration and all other benefits of all executive directors and senior executives and managers;
- (c) in determining the remuneration and incentive packages of individual executive directors, the Remuneration Committee should:
 - (i) provide the packages needed to attract, retain and motivate executive directors of the quality required but should avoid paying more than is necessary for this purpose;
 - (ii) judge where to position the company relative to other companies, the Remuneration Committee should be aware of what comparable companies are paying and should take account of relative performance - but the Remuneration Committee should use such comparisons with caution, in view of the risk that they can result in an upward ratchet of remuneration levels with no corresponding improvement in performance;
 - (iii) be sensitive to the wider scene, including pay and employment conditions elsewhere in the group especially when determining annual salary increases;
 - (iv) include performance-related elements of remuneration as a significant proportion of the total remuneration packages and those elements should be designed to align the interests of executive directors with those of shareholders and give keen incentives to perform at the highest levels; and
 - (v) in designing schemes of performance related remuneration, follow the provisions in Schedule A to the UK Corporate Governance Code (as amended from time to time), so far as practicable to the company given its size and nature;
- (d) make recommendations from time to time to the board on the introduction, variation or discontinuance of all forms of reward to the

same persons, whether in case or kind and on the company's framework of executive remuneration generally and its cost;

- (e) to exercise the power to take advice from any person it may deem necessary to help the Remuneration Committee to achieve their purpose and objectives;
- (f) continually review, investigate, report upon and recommend as appropriate all forms of reward that might be applicable including share options, pension schemes, ESOPs, FURBS and so on;
- (g) operate and administer the company's share option and share incentive schemes in accordance with the respective rules thereof, the Remuneration Committee shall make recommendations to the board as to any adjustments to the terms of such schemes and as to proposals intended for submission to shareholders in relation to such schemes;
- (h) review the design of remuneration structures, levels of pay, incentives and fringe benefits;
- (i) be responsible for reporting to the company's shareholders, on behalf of the board, in relation to remuneration policies applicable to the company's executive directors, drawing attention to factors specific to the company; in preparing or making any such report the Remuneration Committee shall follow the provisions set out in Schedule B to the UK Corporate Governance Code (as amended from time to time);
- (j) review procedures for the identification, training, remuneration and career development of all executives, senior and junior who aspire to and may be expected to hold the most senior posts with clear policies for their encouragement; and
- (k) keep a watching brief over the Chairman's proposed remuneration and conditions of employment for senior executives of the group.

7.3 The Remuneration Committee shall also consider such other topics as are defined by the board from time to time.

References in these terms of reference to "senior executives of the group" shall mean any director of any subsidiary of the company.