

**ASSOCIATED BRITISH FOODS plc (the *Company*)**

**REMUNERATION COMMITTEE - TERMS OF REFERENCE**

**adopted by the board on 8 September 2015**

**1. BACKGROUND**

The Board of Directors of the Company (the ***Board***) has resolved to establish a Remuneration Committee (the ***Committee***). These terms of reference replace any previous terms of reference for any remuneration committee of the Board.

1.1 The Committee shall be responsible for all elements of the remuneration of the executive directors of the Company and the Chairman of the Board, including pension rights and any compensation payments, including exit payments.

1.2 The remuneration of non-executive directors, except for the Chairman of the Board, shall be a matter for the Chairman of the Board and the executive directors of the Board (subject to the Articles of Association of the Company and the current directors' remuneration policy).

1.3 Any decisions made by the Committee in relation to the Chairman and executive directors of the Board must be made within the scope and terms of the current directors' remuneration policy as approved by the ordinary resolution of the shareholders of the Company.

**2. DUTIES OF THE COMMITTEE**

2.1 The duties of the Committee shall be:

- (a) to set and monitor the remuneration policy (including benefits, pension arrangements and termination payments) and terms of employment applicable to the executive directors of the Company and the Chairman of the Board;
- (b) to recommend the remuneration policy (including benefits, pension arrangements and termination payments) and terms of employment applicable to the first line reports to the Chief Executive (the First Line Executives) and monitor its application;
- (c) to take into account all factors deemed necessary, including the views of shareholders and other stakeholders, the risk appetite of the Company and alignment with the Company's long-term strategic goals, when determining the remuneration policy. The objective of such policy shall be to promote the long-term success of the Company and performance related elements should be transparent, stretching and rigorously applied. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and to promote the long-term success of the Company;
- (d) to review and have regard to the pay and employment conditions across the Company and its subsidiaries (collectively, the ***Group***) when determining the remuneration policy for directors;

- (e) to review the operation, effectiveness and ongoing appropriateness and relevance of the remuneration policy, especially when reviewing annual salary increases;
- (f) to consider and determine the fee and any benefits for the Chairman of the Board, for which meeting the Committee shall appoint the Senior Independent Director to act as chairman;
- (g) to consider and determine all elements of the remuneration of the executive directors, receiving advisory information on the same in relation to the remuneration of the First Line Executives (and on occasion in relation to the Second Line Executives), namely:
  - (i) base salary (the Committee shall also consider the pension consequences of basic salary increases);
  - (ii) bonuses and performance-related payments (including profit-sharing schemes);
  - (iii) discretionary payments;
  - (iv) pension arrangements;
  - (v) benefits in kind;
  - (vi) share schemes and their equivalents; and
  - (vii) share ownership requirements;
- (h) in respect of any element of remuneration of the executive directors which is performance-related, to approve the design of, determine targets and monitor the operation of any performance related pay schemes operated by the Company, and approve total annual payments under such schemes (in accordance with the provisions in Schedule A of the UK Corporate Governance Code);
- (i) to consider and determine the Company's policy on other provisions of the service agreements of the executive directors (in particular the term, any notice period and compensation commitment on early termination) and ensure that contractual terms on termination, and any payment made, are fair to the individual and the Company and that failure is not rewarded and that duty to mitigate loss is fully recognised;
- (j) to work with the Nomination Committee to ensure that the remuneration of any proposed new director of the Company is in accordance with the Company's directors' remuneration policy and to agree the terms of appointment and remuneration of such proposed new director;
- (k) to approve any payment to, and/or any non-cash benefit to be provided to, or for the benefit of an executive director and any other terms and conditions to apply on termination of that person's employment (once the decision to dismiss or reach agreement to terminate employment has been taken by the Board);
- (l) to agree the policy for authorising claims for expenses from the directors;

- (m) to approve all aspects of any executive share scheme using ABF shares or for the benefit of the executive directors and First Line Executives operated by or to be established by the Company. This is subject always to the rules of any scheme and any applicable legal and stock exchange requirements and includes, but is not limited to :
- (i) the selection of those eligible executives of the Company and its subsidiary companies to whom options or awards should be granted;
  - (ii) the timing of any grant;
  - (iii) the numbers of shares over which options or awards are to be granted;
  - (iv) the exercise price at which options or awards are to be granted;
  - (v) the imposition of any objective condition which must be complied with before any option or award may be exercised; and
  - (vi) the operation of any provisions for malus or clawback;
- (n) when appropriate, or required by the Listing Rules, to request the Board to seek shareholder approval of any new share scheme or long term incentive scheme or amendments to existing schemes;
- (o) to have regard in the performance of its duties to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes (in particular the principles and provisions of the UK Corporate Governance Code and guidelines published by the GC100, the Investment Association, ISS and the National Association of Pension Funds) which the Committee considers relevant or appropriate;
- (p) to have regard to the terms of the Relationship Agreement between the Company and its controlling shareholders dated 14<sup>th</sup> November 2014;
- (q) to ensure that provisions regarding disclosure of information, including pensions, as set out in the Companies Act 2006, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules and the UK Corporate Governance Code (each as amended from time to time), are fulfilled including the disclosure on the Company's website of the particulars of any payment for loss of office made or to be made to a person ceasing to be a director of the Company and any payments to be made to a person after ceasing to be a director of the Company;
- (r) to approve the directors' remuneration report which will form part of the Company's annual report, including (when required) the Company's policy on directors' remuneration, and to identify any performance measures or targets that are considered commercially sensitive for the purposes of disclosure and to ensure that such report and policy are put to shareholders for approval as required;
- (s) to ensure that it is in a position to justify all of its actions and proposed courses of action;

- (t) to promptly provide the Board with such information as may be necessary or desirable in the opinion of the Board to enable the Board to monitor its conduct in order that each member of the Board may fulfil his or her duties and responsibilities as a director;
- (u) to consider and make recommendations to the Board concerning any area within its remit where action or improvement is required, including in relation to the disclosure of details of remuneration packages and structures in addition to those required by law or by the UK Listing Authority or the London Stock Exchange;
- (v) to be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee within any budgetary restraints imposed by the Board and considering any other connection that they may have with the Company or Group. If the Committee has appointed any such consultants, the report referred to in paragraph (r) above should identify such consultants and state whether they have any other connection with the Company or the Group; and
- (w) to consider any other matters as may be requested by the Board.

2.2 In relation to the above, the Committee shall at all times give due regard to published or other reliable and up-to-date information that is available relating to pay, bonuses and other benefits of executives in companies which are comparable to the Company.

2.3 The duties of the Committee do not include decisions to employ or dismiss any of the directors of the Company or the First Line Executives. The Committee does not have responsibility for nominations to the Board.

### **3. LIABILITIES**

The Committee is reminded that each member of the Committee will be jointly and severally liable to indemnify the Company or member of the Group for any loss resulting from a remuneration payment or payment for loss of office to a director of the Company (including a prospective or former director of the Company) authorised by the Committee, if such payment is not consistent with the approved directors' remuneration policy in existence at the time or has not been approved by resolution of the members of the Company. The Court may relieve a member of the Committee of such liability if, having regard to all the circumstances of the case, the member of the Committee can show that he or she acted honestly and reasonably.

### **4. COMPOSITION**

4.1 Unless otherwise determined by the Board, the Committee shall be made up of at least three members appointed by the Board on the recommendation of the Nomination Committee and in consultation with the chairman of the Committee, all of whom shall be independent non-executive directors. If so determined by the Board, the Chairman of the Board may be a member of, and chair, the Committee provided he or she was considered independent on appointment as Chairman, if it is considered that, due to their experience, that individual is best suited to chair the Committee.

4.2 Only members of the Committee have the right to attend Committee meetings. However other individuals such as the CEO, HR Director, Head of Reward and external advisors may be invited to attend all or part of any meeting, as and when necessary and appropriate.

4.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for further three-year (or shorter) periods, provided the director still meets the criteria for membership of the Committee. Any term beyond six years should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Committee.

4.4 The Board shall appoint one member of the Committee to act as its 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.

4.5 The Board shall regularly review the membership of the Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals.

4.6 No director or senior executive shall be involved in any decisions as to his or her own remuneration.

4.7 If executive directors or senior management are involved in advising or supporting the Committee, that role should be clearly separated from their role within the business and care should be taken to recognise and avoid conflicts of interest.

## **5. QUORUM**

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

5.2 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.

## **6. MEETING ADMINISTRATION**

6.1 The Committee shall meet at least twice a year at the times as may be agreed by the members and at such other times as determined by the Committee chairman.

6.2 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the provisions of the Company's Articles of Association regulating the meetings and proceedings of directors.

6.3 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members.

6.4 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date and dial-in details (if required) together with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, where practicable no later than five 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. SECRETARY**

7.1 The company secretary or such person as the company secretary nominates shall act as the secretary of the Committee.

7.2 The secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

7.3 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

7.4 Draft Minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once agreed, minutes shall be circulated to all other members of the Board, unless it would be inappropriate to do so.

## **8. SELF-EVALUATION**

The Committee shall, at least once a year, review its own performance, composition and terms of reference to ensure that it is operating effectively and recommend any changes it considers desirable to the Board for approval.

## **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 such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is desirable.

9.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure that:

- (a) a description of the Committee's work and of any remuneration consultants used and their relationship with the Company is provided, as required by the Corporate Governance Code;
- (b) the directors' remuneration policy is put to shareholders by ordinary resolution, for approval by a binding vote at an Annual General Meeting or other Company meeting at least once every three years, or earlier when considered necessary or appropriate in accordance with the requirements of the Companies Act 2006;
- (c) the directors' remuneration report (with the exception of the directors' remuneration policy) is put to an advisory vote of shareholders by ordinary resolution at each Annual General Meeting in accordance with the requirements of the Companies Act 2006;
- (d) whenever a director leaves office, a statement is published on the Company's website as soon as reasonably practicable, in accordance with the requirements of section 430(2B) of the Companies Act 2006.

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

9.5 The Committee chairman shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities.

9.6 The Committee's terms of reference shall be made available on the Company's website.

## **10. OTHER MATTERS**

10.1 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat and reward teams 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; and
- (d) oversee any investigation of activities which are within its terms of reference.

10.2 In exercising its powers, the Committee shall take into account the duties of directors under Chapter 2 of Part 10 of the Companies Act 2006 including, in particular, section 172 of the 2006 Act, which requires a director to act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Group's employees;
- (c) the need to foster the Group's business relationships with suppliers, customers and others;
- (d) the impact of the Group's operations on the community and the environment;
- (e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the Company.

## **11. AUTHORITY**

11.1 The Committee is authorised by the Board to:

- (a) undertake any activity and investigate any matter within its terms of reference;
- (b) seek any information that it requires from any Group employee or contractor in order to perform its duties;

- (c) obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and to invite those persons to attend meetings of the Committee;
  - (d) call any Group employee or contractor to be questioned at a meeting of the Committee, as and when required; and
  - (e) delegate any of its powers to one or more of its members or the secretary.
- 11.2 These terms of reference may be amended from time to time by the Board.