

Remuneration Committee

Remuneration Committee - Terms of Reference

(As Adopted on 23 February 2006)

Constitution

The Board of Serco Group plc has reviewed and confirmed the establishment of a Committee of the Board to be known as the Remuneration Committee.

Membership

Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least 3 members, all of whom are independent non-executive directors. [Combined Code B.2.1]

The Chairman of the Committee, who shall be an independent non-executive director, shall be appointed by the Board.

The quorum of the Committee shall be at least two members.

The Secretary of the Company or their nominee shall be the Secretary of the Committee.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Human Resource Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

Frequency of Meetings

Meetings shall be held not less than three times a year.

Authority

The Committee is authorised by the Board to seek appropriate professional advice from both inside and outside the Company as and when it considers this necessary.

Duties

The Committee should:

- Determine and agree with the Board the framework for the remuneration of the Executive Directors, the Company Secretary and the Global Management Board, giving due regard to the requirements of the UK Listing Authority Rules, the Combined Code and other associated guidance;
- Within the terms of agreed framework, determine the total individual remuneration package of each Executive Director and the Company Secretary including bonus, share plans, any other incentive plan and pension arrangements;
- Review the on-going appropriateness and relevance of the remuneration framework;
- Review and note annually the remuneration trends across the Company;

- Approve the design of, and determine the targets for, any performance related pay schemes and approve total annual payments made under such schemes for Executive Directors and the Company Secretary
- Ensure that contractual terms on termination, including any termination payments in respect of any Executive Director, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is recognised;
- Agree the policy for authorising claims for expenses for all Executive Directors;
- Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting terms of reference for any remuneration consultants who advise the Committee;
- Be aware of and advise on any major changes in employee benefit structures throughout the Group;
- Ensure the remuneration report in the annual report fulfils the relevant disclosure requirements, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code;
- Make a statement in the annual report about membership of the Committee, number of Committee meetings held and attendance by members over the course of the year;
- Make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
- Regularly review its terms of reference and recommend any changes to the Board for approval where required;
- Consider any other remuneration matters as requested by the Board from time to time.

Minutes

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

The Chairman of the Committee shall report on the business of that Committee at the next Board Meeting.