

Remuneration Committee

Remuneration Committee - Terms of Reference (As Amended on 18 November 2010)

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.

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:

- Monitor, determine and agree with the Board the framework for the remuneration of the Chairman, the Executive Directors, the Executive Committee members and the Company Secretary, giving due regard to the requirements of the UK Listing Authority Rules, the UK Corporate Governance Code and other associated guidance;
- Within the terms of agreed framework, determine the elements of the individual remuneration package for the Chairman, the Executive Directors 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 arrangements and approve total annual payments made under such schemes for the Chairman, the Executive Directors and the Company Secretary
- Operate the Company's share schemes (including those for all employees)
- Review the terms of service agreements for Executive Directors with a view to reviewing the total liabilities and to 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 the Chairman and 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; the Remuneration Committee may use the same advisors as are used by the management of the Company provided it is satisfied that no conflict of interest arises. The Committee will be briefed regularly on any other work done for the Company by the advisors.
- 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 UK Corporate Governance Code, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the UK Listing Authority Rules and other associated guidance;
- Ensure that the Chairman of the Remuneration Committee is available at the Annual General Meeting of the Company to answer questions on the Chairman's and Executive Directors' remuneration;
- 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.