
1. Constitution

The Board of Serco Group plc (the 'Board') has reviewed and confirmed the establishment of a Committee of the Board to be known as the Remuneration Committee (the 'Committee'). The Committee has delegated authority from the Board to perform the duties set out below.

2. Membership

- 2.1 The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman of the Board.
- 2.2 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. Appointments to the Committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members (other than the Chairman of the Board, if he or she is a member of the Committee) continue to be independent.
- 2.3 The Chairman of the Committee, who shall be an independent Non-Executive Director, shall be appointed by the Board. 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 who would qualify under these Terms of Reference to be appointed to that position by the Board. The Chairman of the Board shall not be Chairman of the Committee.
- 2.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals, including but not limited to the Chief Executive Officer, Group Chief Financial Officer, Group Human Resources Director, Reward and external advisers, may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

3. Secretary

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

4. Quorum

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

5. Frequency of meetings

The Committee shall meet at least three times a year and otherwise as required.

6. Notice of meetings

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, any other person required to attend and all other independent Non-Executive Directors, no later than five working days before the date of the meeting.

7. Minutes of meetings

- 7.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.

8. Annual General Meeting

The Committee Chairman should attend the Annual General Meeting to respond to questions from shareholders on the Committee's activities.

9. Duties

The Committee should carry out the duties detailed below for the Company, major subsidiary undertakings and the group as a whole, as appropriate. The Committee shall:

- 9.1 Determine and agree with the Board the remuneration policy for all Executive Directors and the Company Secretary and the Company's Chairman, including pension rights and any compensation payments. The Board should determine the remuneration of the independent Non-Executive Directors within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration.
- 9.2 Recommend and monitor the level and structure of remuneration for senior management. The definition of senior management for this purpose should be determined by the Board but will include the members of the Executive Committee.
- 9.3 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the company and alignment to the Company's long term strategic goals. A significant proportion of remuneration should be structured as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.
- 9.4 When setting remuneration policy, review and have regard to pay and employment conditions across the Group, especially when determining salary increases.
- 9.5 Review the on-going appropriateness and relevance of the remuneration policies.
- 9.6 Within the terms of agreed policies and in consultation with the Chairman and/or Group Chief Executive Officer, as appropriate, determine the elements of the individual remuneration package for the Chairman, the Executive Directors, the Company Secretary, and members of the Executive Committee, including bonuses, share plans, any other incentive plan and pension arrangements.
- 9.7 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board.

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- 9.8 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.
 - 9.9 Approve the design of, and determine the targets for, any performance-related pay arrangements and approve total annual payments operated by the Company. In determining such arrangements, the Committee should give due regard to the comments and recommendations of the UK Corporate Governance Code as well as the UK Listing Authority's Listing Rules and associated guidance.
 - 9.10 Review the design and operation of all share incentive plans for approval by the Board and shareholders. Determine what, if any, awards should be made, and if so, the overall amount of such awards, the individual awards to Executive Directors, the Company Secretary and all Executive Committee members and the performance targets to be used.
 - 9.11 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.
 - 9.12 Agree the policy for authorising claims for expenses for the Chairman and Executive Directors.
 - 9.13 Oversee any major changes in employee benefit structures throughout the Group.
 - 9.14 Work and liaise as necessary with all other Board Committees.

10. Reporting responsibilities

- 10.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 Consider any other remuneration matters as requested by the Board from time to time.
- 10.4 Ensure that provisions regarding disclosure of information, including pensions, 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 and applicable regulations which may from time to time come into force, are fulfilled.
- 10.5 Produce a report of the Company's remuneration policy and practices, consistent with the relevant regulations, to be included in the Company's annual report and ensure that the relevant parts of the Director's Remuneration Report are put to the binding and advisory votes of shareholders at the Annual General Meeting as appropriate.
- 10.6 If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 10.7 Through the Chairman of the Board and of the Committee, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

11. Other matters

The Committee shall:

- 11.1 Have sufficient access to resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 11.2 Be provided with appropriate and timely training, both in the form of an induction programme for new Committee members and on an on-going basis for all Committee members.
- 11.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation of operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, requirements the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as any other applicable guidelines and applicable rules, as appropriate.
- 11.4 Review the Committee's performance and terms of reference on an annual basis and recommend any changes it considers necessary to the Board for approval.
- 11.5 Make available its Terms of Reference, explaining clearly its role and the authority delegated to it by the Board.

12. Authority

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

**Approved by the Board of Serco Group plc
7 December 2017**