

## HSS HIRE GROUP PLC (THE COMPANY)

### TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE (THE COMMITTEE) OF THE BOARD OF DIRECTORS OF THE COMPANY (THE BOARD)

adopted by the Board on 9 January 2015 as amended on 28 April 2016

#### 1. BACKGROUND

The Board has resolved to establish a remuneration committee. These terms of reference replace any previous terms of reference for any remuneration committee of the Board.

#### 2. THE COMMITTEE'S DUTIES

The Committee performs the following duties for the Company, its major subsidiary undertakings and the group as a whole, as appropriate.

2.1 To determine the framework or broad policy for the remuneration of the Company's chairman, chief executive officer, chief financial officer, any other executive directors of the Company, the Company secretary and such other senior employees of the Company as the Board may determine from time to time (the **Executive Group**). The Company's chairman and the executive directors should determine the remuneration of the non-executive directors within the limits set out in the articles of association of the Company. No director or senior manager shall be involved in any decisions as to their own remuneration.

2.2 To recommend and monitor the level and structure of remuneration for senior management.

2.3 In determining such policy, to 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 be to attract, retain and motivate members of the Executive Group of the quality required to run the Company successfully without paying more than is necessary, having regard to the views of shareholders and other stakeholders, the risk appetite of the Company and alignment to the Company's long-term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.

2.4 When setting remuneration policy for directors, to review and have regard to the pay and employment conditions across the Company or group, especially when determining annual salary increases.

2.5 To review the ongoing appropriateness and relevance of the remuneration policy.

2.6 Within the terms of the remuneration policy, to consider and determine all elements of the total individual remuneration package of members of the Executive Group, including:

- (a) base salary (the Committee shall also consider the pension consequences of basic salary increases);

- (b) bonuses and performance-related payments (including profit-sharing schemes);
- (c) discretionary payments;
- (d) pension contributions;
- (e) benefits in kind; and
- (f) share options and their equivalents;

2.7 In respect of any element of remuneration of the Executive Group which is performance-related, to formulate suitable performance-related criteria and monitor their operation.

2.8 To consider and determine other provisions of the service agreements of the Executive Group (in particular the term, any notice period and compensation commitment on early termination) and to ensure that any payments made under such provisions do not reward failure and that the duty to mitigate loss is fully recognised.

2.9 To approve any payment to, and/or any non-cash benefit to be provided to, or for the benefit of an executive director or other member of the Executive Group 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).

2.10 To agree the policy for authorising claims for expenses from the directors.

2.11 Subject to the articles of association of the Company from time to time and the terms of the trust created to hold the legal interest in the shares of the Company held by employees, to administer all aspects of any share scheme operated by or to be established by the Company including but not limited to (subject always to the rules of that scheme, the relevant deed of trust and any applicable legal and stock exchange requirements):

- (a) the selection of those eligible directors and employees of the Company and its subsidiary companies to whom options or awards should be granted;
- (b) the timing of any grant;
- (c) the numbers of shares over which options or awards are to be granted;
- (d) the exercise price at which options or awards are to be granted;
- (e) the compulsory purchase of shares from employees and directors upon their leaving employment (or directorship) of the Company, and the terms thereof; and
- (f) the imposition of any objective condition which must be complied with before any option or award may be exercised.

2.12 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 Association

of British Insurers and the National Association of Pension Funds) which the Committee considers relevant or appropriate.

2.13 To ensure that provisions regarding disclosure of information relating to directors' remuneration, including pensions, as set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code, are fulfilled and to produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report.

2.14 To consider and make recommendations to the Board concerning 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 plc.

2.15 To be aware of and advise the Board on any major changes in employee benefit structures throughout the Company or group.

2.16 To 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 any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary constraints imposed by the Board.

2.17 To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and considering any other connection that they may have with the Company.

2.18 To approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the UK Corporate Governance Code).

2.19 To review the design of any share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to the Executive Group and other designated senior executives and the performance targets to be used.

2.20 To determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives.

2.21 To ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

2.22 To consider any other matters as may be requested by the Board.

2.23 To work and liaise as necessary with all other Board committees.

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

2.25 The duties of the Committee do not include decisions to employ or dismiss members of the Executive Group. The Committee does not have responsibility for

nominations to the Board.

### **3. COMPOSITION**

3.1 The Committee shall be made up of at least two members. In order to comply with the UK Corporate Governance Code, all members of the Committee should be independent non-executive directors. If the Board decides that a member of the Committee is no longer independent, the Board will determine whether or not that member will cease to be a member of the Committee. The UK Corporate Governance Code permits the chairman of the Board to serve on the Committee if he or she was considered independent on appointment as chairman, but does not permit he or she chairing the Committee.

3.2 Members of the Committee shall be appointed by the Board on the recommendation of the nomination committee and in consultation with the chairman of the Committee from time to time.

3.3 Only members of the Committee have the right to attend Committee meetings, but the Committee may invite others to attend all or part of any meeting if it thinks it is appropriate or necessary. However, no executive director of the Company shall participate at a meeting of the Committee (or during the relevant part of such meeting) at which any part of his remuneration is being discussed or participate in any recommendation or decision concerning his remuneration.

3.4 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 or, where there are exceptional circumstances, for such other period as the Board on the recommendation of the nomination committee and in consultation with the chairman of the Committee shall determine.

3.5 The Board shall appoint one member of the Committee to act as its chairman who, in order to comply with the UK Corporate Governance Code, should be an independent non-executive director. 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. QUORUM**

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

4.2 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.

### **5. MEETING ADMINISTRATION**

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

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

5.3 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, no later than two working 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.

## **6. SECRETARY**

6.1 The Company secretary or such person as the Company secretary nominates shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

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

6.3 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 in the opinion of the Committee chairman it would be inappropriate to do so.

## **7. SELF EVALUATION**

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

## **8. REPORTING RESPONSIBILITIES**

8.1 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities unless it would be inappropriate to do so.

8.2 The Committee shall make such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is necessary or desirable.

8.3 The Committee shall produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the Company's annual general meeting.

8.4 In relation to the disclosure of information (including pensions) by the Company, the Committee shall ensure that the relevant regulatory and legislative provisions (including The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code) are complied with.

8.5 The Committee shall ensure that the Company maintains contact through the chairman of the Board as required with its principal shareholders about remuneration.

8.6 The Committee chairman shall attend the Company's annual general meeting to respond to any shareholder questions on the Committee's activities.

## **9. OTHER MATTERS**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat 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, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non-listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure and Transparency Rules as well as guidelines published by the Association of British Insurers and the National Association of Pensions Funds and any other applicable rules, as appropriate; and
- (d) oversee any investigation of activities which are within its terms of reference.

## **10. AUTHORITY**

The Committee is authorised by the Board to:

- (a) undertake any activity 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 internal or external legal or other professional advice on any matter within its terms of reference at the Company's expense, and to invite persons giving such advice to attend Committee meetings;
- (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.