

## **LENTA LIMITED**

### **TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

#### **1. ROLE**

The role of the Committee is to determine and recommend to the Board the framework or broad policy for executive remuneration within the Lenta group (the "Group") and for determining, on behalf of the Board, the remuneration of executive Directors and senior management.

#### **2. MEMBERSHIP AND ATTENDANCE**

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Committee Chairman. The Committee shall be made up of at least three members.
- 2.2 All members of the Committee shall be non-executive Directors of the Company. A quorum for Committee meetings shall consist of two members, present in person or by telephone.
- 2.3 The Board shall appoint the Committee Chairman (who shall 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 their number present to chair the meeting.
- 2.4 Only members of the Committee shall have the right to attend Committee meetings. However, other individuals within the Group or its advisors such as the Chairman of the Board, Chief Executive Officer, Company Secretary, Human Resources Director, representatives of other relevant departments and external advisers may be invited by the Committee to attend all or part of any meeting as and when appropriate.
- 2.5 The regulations contained in the Company's Articles of Association for the meetings and proceedings of Directors shall also be deemed to apply to the meetings and proceedings of the Committee, except where altered hereby for matters specific to the working of the Committee.

#### **3. SECRETARY**

The Company Secretary, Deputy or Assistant Secretary or their nominee shall act as the secretary of the Committee and shall ensure that the members of the Committee receive information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### **4. FREQUENCY OF MEETINGS**

The Committee shall meet at least two times a year and at such other times as the Chairman of the Committee shall require.

#### **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chairman of the Committee.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to the Committee members, and to other attendees as appropriate, at the same time (though a failure to provide supporting papers shall not prejudice notice of the relevant matters).

## **6. MINUTES OF MEETINGS**

- 6.1 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary of the Committee should ascertain the existence of any conflicts of interest and minute them accordingly. If any conflicts of interest exist with a particular member of the Committee on any particular issue then such member of the Committee shall not participate or vote on the issue that gave rise to such conflict of interest.
- 6.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once approved and if requested, to other members of the Board, unless a conflict of interest exists.

## **7. ANNUAL GENERAL MEETING**

The Chairman of the Committee should be available to attend the Annual General Meeting if required.

## **8. DUTIES**

- 8.1 The Committee shall carry out the duties below for the Company, and all of its subsidiaries and the Lenta Group as a whole, as appropriate.
- 8.2 The Committee shall:
  - a) determine and agree with the Board the framework or broad policy for the remuneration, including pension rights and any compensation payments, of the Chairman of the Board, Chief Executive Officer, other executive Directors and such other members of the executive management as it is designated to consider. The remuneration of non-executive Directors shall be a matter for the executive members of the Board under the guidance of the Chairman of the Board, after taking appropriate external advice. No Director or manager shall be involved in any decisions as to their own remuneration;
  - b) in determining the framework or 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 to the extent practicable. The objective of such a policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are rewarded, in a fair and responsible manner, for their individual contributions to the success of the Company. The remuneration policy should have regard to the risk appetite of the Company and be aligned with 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 be designed to promote the long-term success of the Company;
  - c) review the ongoing appropriateness and relevance of the remuneration policy;
  - d) within the terms of the agreed policy and based on individual performance, following consultation with the Chairman of the Board and/or the Chief Executive Officer, determine the total individual remuneration package for the Chairman of the Board, Chief Executive Officer, other executive Directors and such other members of the executive management as it is designated to consider including, where appropriate, bonuses, incentive payments, awards of

shares, share options, other share awards and pension arrangements;

- e) when setting remuneration policy, review and have regard to the remuneration trends across the Group, especially when determining annual salary increases;
- f) obtain and review reliable up-to-date remuneration information relating to other companies of comparable scale and complexity. To help fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to purchase or commission any reports or surveys which it deems necessary at the expense of the Company, but within any budgetary restraints imposed by the Board;
- g) approve the design of, and determine targets for, any performance-related plans operated by the Group and approve the total annual payments made under such plans in respect of the individuals set out in a) above;
- h) make recommendations to the Board with respect to the establishment of, and changes to, the rules of employee equity participation arrangements and administer these arrangements where their rules prescribe the involvement of the Committee or any other Committee of the Board, unless the Board decides otherwise. For any such plans, the Committee shall determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards in respect of the individuals set out in a) above and other senior executives, and the performance targets to be used;
- i) determine the policy for and scope of service agreements and termination payments, ensuring that any payments made are fair to the individual and the Group, and ensuring that failure is not rewarded and that the duty to mitigate is fully recognised, in respect of the individuals set out in a) above;
- j) be aware of and oversee any major changes in the employee benefit structures throughout the Group;
- k) agree the policy for authorising claims for expenses from the Directors and review and authorise the reimbursement of any claims for expenses from the Chairman of the Board, provided that the Committee may delegate the administration of this to the Chief Financial Officer;
- l) work and liaise as necessary with all other Committees of the Board; and
- m) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

## **9. OTHER MATTERS**

The Committee shall:

- 9.1 have access to sufficient resources to carry out its duties, including access to the Company Secretary for assistance as required;
- 9.2 investigate or commission investigations into any activity within its terms of reference;
- 9.3 be responsible for the co-ordination of relevant external and internal advisors;
- 9.4 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;
- 9.5 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, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Association of British Insurers, the Investment Management Association and the National Association of Pension Funds and any other applicable rules as appropriate;

- 9.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- 9.7 perform any other activities consistent with these terms of reference that the Committee or the Board deem appropriate.

## **10. REPORTING RESPONSIBILITIES**

- 10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include the significant issues that it has considered and any other issues on which the Board has requested the Committee's opinion.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its terms of reference.
- 10.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the UK Corporate Governance Code, are fulfilled and produce, for approval by the Board, an annual Directors' Remuneration Report, made up of an Annual Statement by the Committee Chairman, a Directors' Remuneration Policy (which may be excluded from the Directors' Remuneration Report when not being put to a binding vote at an Annual General Meeting) and an Annual Report on Remuneration.
- 10.4 If the Committee has appointed remuneration consultants, the annual Directors' Remuneration Report should identify such consultants and state whether they have any other connection with the Company.
- 10.5 The Committee shall ensure, through the Chairman of the Board, that the Company maintains contact as required with its principal shareholders regarding remuneration.

## **11. AUTHORITY**

- 11.1 The Committee is authorised to seek any information it requires from any Director or employee of the Group in order to perform its duties and all employees shall be directed to co-operate with any request made by the Committee.
- 11.2 The Committee may call any Director or employee to be questioned at a meeting of the Committee as and when required.
- 11.3 The Committee shall have unrestricted access to Group documents and Group information.
- 11.4 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice and secure the attendance at its meetings of outside advisors with relevant experience and expertise if it considers this necessary.
- 11.5 The Committee shall have the right to publish in the company's Annual Report and

Accounts details of any issues that cannot be resolved between the Committee and the Board.