

## **DEBENHAMS PLC (THE COMPANY)**

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

#### **Constitution**

1. The Committee has been established by resolution of the board of directors of the Company and is to be known as the Remuneration Committee. Its terms of reference replace the terms of reference of any pre-existing remuneration committee.

#### **Membership**

2. The Committee shall comprise not less than three members appointed by the board of Directors of the Company from time to time. Any member who is determined no longer to be independent shall resign from the Committee. The Chairman may also serve on the Committee as an additional member if he or she was considered independent on appointment as chairman. The Committee shall consist exclusively of independent non-executive directors.

3. The board shall appoint the Chairman of the Committee who shall be an independent non-executive director. In the absence of the Committee Chairman 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..

4. Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three-years, provided the director remains independent.

5. Appointment to the Committee will be made by the board on the recommendation of the Nomination Committee.

#### **Secretary**

6. The Company Secretary or his nominees shall act as the secretary of the Committee.

#### **Meetings**

7. The Committee shall meet at least twice a year at the times as may be agreed by the members and report to the meeting of the board of directors next following a meeting of the Committee. The quorum for any meeting of the Committee shall be two.

8. Subject as provided in Clause 9 any director of the Company shall have the right, by invitation, to attend and speak but not to vote at any meeting of the

Committee. External advisers may also be invited to attend for all or part of any meeting, as and when appropriate and necessary.

9. No executive director of the Company shall participate at a meeting of the Committee (or during the relevant part) at which any part of his remuneration is being discussed or participate in any recommendation or decision concerning his remuneration.

10. The Committee shall have access to the services of the Company Secretariat on all Committee matters, including assisting the Chairman in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.

### **Notice of Meetings**

11. Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.

12. Unless otherwise agreed, notice of each meeting confirming the venue, time and date 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 2 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.

### **Reporting Responsibilities**

13. The secretary shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the board, unless a conflict of interest exists.

14. The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

15. The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval.

16. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

### **Authority**

17. The Committee is authorised to investigate and undertake any activity within its terms of reference. It is authorised to seek any information it properly requires

from any employee of the Company or of any subsidiary company. All employees will be directed by the directors of the Company to co-operate with any request made by the Committee.

18. If the Committee considers it necessary so to do it is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend at meetings of the Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits as authorised by the directors of the Company.

### **Duties**

19. The duties of the Committee shall be:

- (a) to determine the framework or broad policy for the remuneration of the Chairman, Chief Executive, the Chief Financial Officer, the other executive directors of the Company and the Company Secretary (the *Executive Group*);
- (b) to take into account all factors deemed necessary when determining the remuneration policy (including remuneration trends across the Company), the objective of which shall be to ensure that members of the Executive Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contributions to the long-term success of the Company;
- (c) to review the ongoing appropriateness and relevance of the remuneration policy;
- (d) to review the bonus structure for senior managers below the Executive Group;
- (e) to consider and determine all elements of the remuneration of the Executive Group, namely:
  - (i) base salary (the Committee shall also consider the pension consequences of basic salary increases);
  - (ii) bonuses and performance-related payments (including profit-sharing schemes);
  - (iii) discretionary payments;
  - (iv) pension contributions;
  - (v) benefits in kind; and
  - (vi) share incentives and their equivalents,

The remuneration of non-executive directors shall be a matter for the Chairman of the board and the executive members of the board.

- (f) in respect of any element of remuneration of the Executive Group which is performance-related, to formulate suitable performance-related criteria to promote the long-term success of the company and monitor their operation. Performance-related elements should be transparent, stretching and rigorously applied. Such elements of remuneration should include provisions that allow the Company, in specified circumstances, to i) forfeit all or part of the award (cash or shares) before it has vested or been paid; and ii) recover sums already paid;
- (g) 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);
- (h) to agree the policy for authorising claims for expenses from the Chairman and Chief Executive;
- (i) to administer all aspects of any share incentive scheme operated by or to be established by the Company including but not limited to (subject always to the rules of that scheme and any applicable legal and stock exchange requirements):
  - (i) the selection of those eligible directors and employees of the Company and its subsidiary companies to whom incentives should be granted;
  - (ii) the timing of any grant;
  - (iii) the numbers of shares over which incentives are to be granted;
  - (iv) the exercise price at which incentives are to be granted;
  - (v) the imposition of any objective condition which must be complied with before any incentive may be exercised;
- (j) to have regard in the performance of the duties set out in this Clause 19 to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share incentive schemes (in particular the principles of good governance and code of best practice published by the Financial Reporting Council within the UK Corporate Governance Code (*Code*) and guidelines published by The Investment Association) which the Committee considers relevant or appropriate;
- (k) to ensure that provisions regarding disclosure of information, including pensions, as set out in the Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the 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;

- (l) to consider and make recommendations to the directors of the Company concerning disclosure of details of remuneration packages and structures in addition to those required by law or by the UK Listing Authority or the Financial Reporting Council;
- (m) to be aware of and advise on any major changes in employee benefit structures throughout the Company or group;
- (n) 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;
- (o) to consider any other matters as may be requested by the directors of the Company; and
- (p) to review annually its terms of reference and its own effectiveness and recommend any necessary changes to the board.

20. 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.

21. The terms of reference of the Committee do not encompass decisions to employ or dismiss members of the Executive Group. The Committee does not have responsibility for nominations to the board.