

SPIRE HEALTHCARE GROUP PLC (THE COMPANY)

REMUNERATION COMMITTEE - TERMS OF REFERENCE
amended and approved by the Board on 21 July 2016

1. BACKGROUND

1.1 The board of directors of the Company (the **Board**) has resolved to establish a Remuneration Committee (the **Committee**). These terms of reference replace any previous terms of reference for any remuneration committee of the Board.

2. DUTIES OF THE COMMITTEE

2.1 The duties of the Committee shall be:

- (a) to determine the framework or broad policy for the remuneration of the Chairman, Chief Executive Officer, the Chief Financial Officer, any other executive directors of the Company, the Company Secretary, any manager reporting directly to the Chief Executive Officer (or equivalent role) and any other members of the executive management as the Board may determine from time to time (together, the **Executive Group**) (the remuneration of non-executive directors being a matter for the Chairman of the Board and the executive members of the Board);
- (b) to recommend and monitor the level and structure of remuneration for senior management;
- (c) to take into account all factors deemed necessary when determining the remuneration policy, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance, the objective of which shall be to promote the long-term success of the Company. The remuneration policy should attract, retain and motivate executives of the quality required to run the Company successfully by ensuring that members of the Executive Group are provided with appropriate, stretching incentives to encourage enhanced performance in line with the business strategy and are, in a fair and responsible manner and having regard to the interests of shareholders and other stakeholders, rewarded for their contributions to the long-term success of the Company and its subsidiary undertakings (the **Group**) without being paid more than is necessary. A significant proportion of the Executive Group's remuneration should be structured so as to link rewards to corporate and individual performance and to promote the Company's long-term success;
- (d) to review and have regard to the remuneration trends across the Company or Group when determining the remuneration policy for directors;

- (e) to review the ongoing appropriateness and relevance of the remuneration policy;
- (f) to consider and determine all elements of the remuneration of the Executive Group, in accordance with the approved remuneration policy, namely:
 - (i) base salary (the Committee shall also consider the pension consequences of base salary increases);
 - (ii) bonuses and performance-related payments (including profit-sharing schemes) and approve the total annual payments thereof;
 - (iii) discretionary payments;
 - (iv) pension contributions;
 - (v) benefits in kind; and
 - (vi) share options, share awards and their equivalents;
- (g) 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;
- (h) to design, and consider the implementation of, recovery provisions (malus and/or clawback) in order to provide robust safeguards against inappropriate payment of incentive awards, in circumstances which the Committee considers appropriate;
- (i) 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 that may be made under such provisions do not reward failure and that the duty to mitigate loss is fully recognised;
- (j) 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);
- (k) to agree the policy for authorising claims for expenses from the directors;
- (l) to review and approve the provisions of and oversee the administration of all aspects of any executive share 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) matters such as:

- (i) the selection of those eligible executives of the Company and its subsidiary companies to whom options or awards should be granted;
 - (ii) the timing of any grant;
 - (iii) the numbers of shares over which options or awards are to be granted;
 - (iv) the exercise or grant price at which options or awards are to be granted; and
 - (v) the imposition of any objective condition which must be complied with before any option or award may be exercised or vest;
- (m) to review and approve the provisions of and oversee the administration of all aspects of any all-employee share scheme operated by or to be established by the Company in accordance with the rules of that scheme and any applicable legal and stock exchange requirements and with any requirements of Her Majesty's Revenue and Customs;
 - (n) 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 Investment Association and the National Association of Pension Funds) which the Committee considers relevant or appropriate;
 - (o) to have regard to the employment conditions across the Group, and adhere to the Group risk policy and risk tolerance limits when determining the remuneration policy and its application to the Executive Group;
 - (p) to ensure that provisions regarding disclosure of information relating to directors' remuneration including, where required by law, the directors' remuneration policy and its implementation, as set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (the **Regulations**), the Companies Act 2006 (the **Companies Act**), the UK Listing Authority's Listing Rules (the **Listing Rules**), the UK Corporate Governance Code (the **Code**) and all other relevant laws and regulations (each as amended from time to time), are fulfilled and to produce reports on the directors' remuneration including, where required, the directors' remuneration policy and its implementation, which will form part of the Company's annual report;
 - (q) to ensure that the reports referred to in paragraph (p) above are put to the shareholders for approval as required by the Regulations, the Companies Act, the Listing Rules, the Code and all other relevant laws and regulations;
 - (r) where there is a significant vote against the remuneration policy or report, to recommend to the Board actions which could be taken in response to investor concerns;

- (s) where required by law to do so, to ensure that any remuneration payment or payment for loss of office to any current or former Chairman or executive director of the Board is consistent with the most recent directors' remuneration policy that has been approved by shareholders or is otherwise approved by the shareholders as required by the Regulations, the Companies Act, the Listing Rules and all other relevant laws and regulations;
- (t) 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;
- (u) to be aware of and advise the Board on any major changes in employee benefit structures throughout the Company or Group;
- (v) 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 within any budgetary restraints imposed by the Board and considering any other connection that they may have with the Company or Group;
- (w) to commission any reports or surveys which the Committee deems necessary to assist in fulfilling its obligations; and
- (x) to consider any other matters as may be requested by the Board.

2.2 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.

2.3 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 three members appointed by the Board on the recommendation of the Nomination Committee and in consultation with the chairman of the Committee from time to time. The Committee shall consist of independent non-executive directors. Any member who is determined by the Board no longer to be independent shall cease to be a member of the Committee. A non-executive chairman of the Board may be a member of, but not chair, the Committee provided they were considered independent on appointment.

3.2 Only members of the Committee have the right to attend Committee meetings. However other individuals may be invited to attend all or part of any meeting.

3.3 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two further three-year periods, provided the director still meets the criteria for membership of the Committee.

3.4 The Board shall appoint one member of the Committee to act as its chairman who shall be an independent non-executive director. The chairman of the Committee shall not be the chairman of 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.

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 twice a year at the times as may be agreed by the members and at such other times as determined by the Committee chairman. Where possible a sufficient interval should be allowed between Committee meetings and main Board meetings to allow any work arising from the Committee meeting to be carried out and reported to the Board as appropriate.

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 five 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, although they may be circulated at shorter notice with approval from the Committee chairman.

5.4 Any conflicts of interest of members of the Committee are to be declared at the start of each meeting in relation to the matters to be discussed and recorded accordingly in the minutes. No member of the Committee shall be involved in any discussion or decision as to their own remuneration.

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 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 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.

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 desirable.

8.3 As referred to in paragraphs 2.1(p) and (q) above, the Committee shall produce reports relating to directors' remuneration which will form part of the Company's annual report and ensure such reports are put to shareholders for approval as required by relevant law or regulation.

8.4 The Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration. The Committee chairman shall attend the 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, guidelines and recommendations regarding the remuneration of directors and the 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, the guidelines published by the Association of British Insurers and the National Association of Pension Funds and any other applicable rules, as appropriate;
- (d) work and liaise with other Board committees as necessary; and

- (e) oversee any investigation of activities which are within its terms of reference.

10. AUTHORITY

10.1 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, consultant, contractor or any other provider of services to the Company (for example, legal and tax advisers or management consultants) in order to perform its duties;
- (c) obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and to invite those persons to attend meetings of the Committee;
- (d) call any Group employee, consultant, contractor or other provider of services 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.

The Terms of Reference of the Remuneration Committee were first adopted by the Board of Directors on 3 July 2014, with amendments approved on 17 December 2015 and 21 July 2016.