

1. TERMS OF REFERENCE: THE REMUNERATION AND NOMINATIONS COMMITTEE

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1.1 *The Remuneration and Nominations Committee*

- (a) is a committee of the board and shall make recommendations to the Board on general reward policy and determine on behalf of the board specific remuneration packages for executive directors and senior managers.;
- (b) is composed of the non-executive directors with a quorum of two members;
- (c) has a primary responsibility of reviewing remuneration, in its widest sense and ensuring that it is adequate for current executives as to suitably tie them into our company and also of a sufficient level to attract high calibre executives; and
- (d) will meet sufficiently frequently and for long enough to perform its duties effectively. (A timetable is contained in 1.6 below)

1.2 *Membership*

- (a) There should be a minimum of two non-executive director members.
- (b) The quorum necessary for the transaction of business shall be two members.
- (c) Members shall be appointed by the Board.
- (d) Membership should be confined to non-executive directors.
- (e) The majority of members, apart from directors' fees and shareholdings, should be independent of management and free from any involvement which might significantly interfere with their ability to judge matters independently.
- (f) The Company Secretary shall be the committee secretary and proper minutes shall be kept and circulated, once agreed, to the Board.
- (g) Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.

1.3 *Chairman*

The members of the Committee will elect a Chairman from amongst themselves and that person will be responsible for:

- (a) preparing the agenda;
- (b) the timely distribution of the agenda and any supporting papers;
- (c) reporting to the board on issues and decisions made;

- (d) answering questions about the Remuneration Committee's work at the annual general meeting; and
- (e) briefing any consultants retained to provide independent advice on market practice (and for which advice a budget should be provided, when necessary).
- (f) The Chairman will be supported by the HR Director

1.4 Scope of Remuneration

Remuneration covers all aspects of reward and recognition across the STG Group and comprises:-

- Basic Salary.
- Variable Salary or Pay at Risk – Includes Bonuses, Commissions, long and short term incentives.
- Benefits – Includes Pensions, Life & income protection, Health benefits, fringe benefits, accommodation and allowances.
- Equity – share ownership schemes, executive share option schemes, all employee share schemes and phantom or virtual schemes.
- Recognition – any form of award for successful achievement not included above.

1.5 Duties of the Remuneration Committee

It is the duty of the Remuneration Committee to ensure tight control of reward policies and processes across the business giving due regard to legal requirements and best practice guidance. A fundamental part of this is to ensure failure is not rewarded and any losses as far as possible are mitigated. Additionally it must ensure that all provisions regarding disclosure of remuneration as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled.

To apply this to employees as follows:-

STG Employee Group	Incumbent Job Titles*	Remco Responsibility
Chairman & Executive Board Members	Chairman CEO CFO	To propose, recommend and approve, on an individual basis, all changes to any aspects of remuneration, including base salary, variable salary, benefits and equity. To annually review reward packages against market comparators. To ensure group wide expenses policies are applied.
Management Team Members	Chief Risk Officer HR Director Strategy Director SVP Americas and VP Global Services Global Alliances Director VP Global Marketing EMEA Sales Director Development Director	To approve and oversee, on an individual or collective basis, all changes proposed by the business to any aspects of reward including base salary, variable salary, benefits and equity
All other STG employees **		To oversee collective reward structures and frameworks across the business. To approve Company wide salary awards and main changes in bonus structures and benefit provision.

* Job Descriptions are contained in folder at <T:\Management\Board\PLC Board\Remuneration Committee\Exec Directors & Mgt Team Job Descriptions>

** Fees for Non Exec Directors are agreed by the Board

To support these duties the Remuneration Committee will be assisted by the HR Director and at any time may commission and call upon external experts and consultants contribute specialist information.

1.6 *Annual timetable of the Remuneration Committee*

Meetings may be set up at any time, usually on the same day as Board meetings. However the normal annual timetable for Remco business is as follows

Each Meeting	Review of any proposals for equity plans and grants for strategic new hires or promotions.
March	Approval of full year salary proposals as part of business plan presentations Approval of changes to the Company Variable Pay Plan applicable to the coming year Discussion and approval of reward package proposals for Executive Directors & Management Team - to be effective from April.
April	Discussion and agreement of previous year bonus payments for Executive Directors and Management Team, subject to the approval of the Audit Committee in May.
November	Annual review of Company benefit and pension provision & their entitlements Annual review of equity plans and entitlements

1.7 *Duties of the Nominations Committee*

The Committee shall:

- (a) regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes. The committee to meet in its Nominations role at least annually;
- (b) give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board in the future;
- (c) be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- (d) before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - (i) use open advertising or the services of external advisers to facilitate the search;
 - (ii) consider candidates from a wide range of backgrounds; and
 - (iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;

- (e) keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- (f) keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates;
- (g) review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties; and
- (h) ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.
- (i) Where possible the Committee shall also make recommendations to the Board concerning:
 - (i) formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive (but see 8.2.8 below);
 - (ii) suitable candidates for the role of senior independent director;
 - (iii) membership of the Audit and Remuneration Committees, in consultation with the chairmen of those committees;
 - (iv) the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
 - (v) the re-election by shareholders of any director under the 'retirement by rotation' provisions in the company's articles of association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
 - (vi) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company subject to the provisions of the law and their service contract; and
 - (vii) the appointment of any director to executive or other office other than to the positions of Chairman and Chief Executive, the recommendation for which would be considered at a meeting of the full Board.
- (j) Review procedures for the identification, training, remuneration and career development of all executives, senior and junior who aspire to and may be expected to hold the most senior posts with clear policies for their encouragement.

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

1.9 *Reporting responsibilities*

- (a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) 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 at the AGM.

1.10 *Review of Recommendation and Nominations Committee*

The Committee shall, 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.

1.11 *Authority*

- (a) The Committee is authorised by the Board to seek any information it requires from any employee or advisor of the company in order to perform its duties.
- (b) In connection with its duties the Committee is authorised by the Board to obtain, at the company's expense, any outside legal or other professional advice.