

## HORNBY PLC

### REMUNERATION COMMITTEE

#### TERMS OF REFERENCE

##### **1. The Committee**

The Committee shall be a sub-committee of the Board of Directors of Hornby Plc and shall be known as the Remuneration Committee (hereinafter referred to as "the Committee").

##### **2. Objective**

The objective of the Committee is to ensure that the Company's Chairman, executive directors and senior management are fairly rewarded for their contributions to the Company's performance and to ensure that their remuneration is commensurate with their duties and responsibilities. The Committee will ensure that the Company provides the remuneration packages needed to attract, retain and motivate Directors of the quality required.

The Committee will consider and determine the remuneration of individual directors of the Company in accordance with the remuneration policy of the Company.

The Committee shall not determine the remuneration of the Non-Executive Directors, which shall be a matter for the executive members of the Board on the recommendation of the Chairman and/or Chief Executive.

The Chief Executive will submit details of the proposed remuneration of the senior executives of the Company and of Hornby PLC to the Committee for their review.

##### **3. Terms of Reference**

The terms of reference of the Committee shall be determined by the Board of Directors.

##### **4. Constitution**

The Committee shall comprise of all non-executive directors of the Board and shall include the Chairman of the Board of Directors.

##### **5. Chairmanship**

The Board shall appoint the Chairman of the Committee. In the event of the appointed Chairman not being able to attend a meeting the members attending shall appoint a Chairman of the Meeting.

The Chairman of the Committee shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

##### **6. Quorum**

The quorum shall be two members.

##### **7. Remuneration Policy**

The remuneration policy shall be determined by the Board of Directors.

## **8. Scope**

The Committee shall consider the following for each individual director:

- The terms and conditions of employment
- Service agreements
- Basic annual salary
- Bonus arrangements
- Benefits in kind
- Share options arrangements
- Pension arrangements
- Compensation for loss of office
- Authorisation of claims and expenses
- Any outside interests and other directorships of Executive Directors and retention of fees from those appointments.

The Committee shall also consider:

- Hornby PLC bonus arrangement
- Share option schemes
- Remuneration trends across Hornby PLC
- Remuneration in other companies
- Targets for any performance related pay schemes operated
- The design of all share incentive plans

## **9. Consultation**

The Committee shall be able at its discretion to consult with the Chairman or Chief Executive and to consider any proposals submitted by the Chief Executive for the Committee's consideration.

## **10. Personal Interests**

Any director attending a meeting of the Committee shall leave the meeting, if requested to do so, during the time when that director's remuneration is being discussed by the Committee.

## **11. Frequency of Meetings**

The Committee shall meet at least once a year and at such other times as the chairman of the Committee requires. The company secretary or their nominee shall act as secretary of the Committee.

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

Notice of each meeting and an agenda shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors.

## **12. External Advice**

The members of the Committee shall have the right, at the Company's expense to seek external professional advice in the furtherance of their duties as members of the Committee. If any member desires to seek such advice the member shall inform the Chairman of the Committee prior to seeking that advice.

## **13. Minutes**

The Chairman of the Committee shall ensure that minutes are taken of the proceedings of each meeting and the minutes shall be passed to the Company Secretary to be filed in the Minute book kept for that purpose.

The Chairman of the Committee 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.

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.

**14. Other**

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 for the board for approval.

**14. Recommendations**

The Committee shall report its decision to the Board of Directors and the Board of Directors shall ultimately be responsible for the remuneration of its directors.

**15. Annual Report**

The Committee shall prepare an annual report from the Committee as required by the Stock Exchange.