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**Dated:** 21 December 2015

Diurnal Group plc

Remuneration Committee

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**Terms of Reference**

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**DIURNAL GROUP PLC**  
**REMUNERATION COMMITTEE**  
**TERMS OF REFERENCE**

**1. DEFINITIONS**

In these terms of reference:

**"AGM"** means the annual general meeting of the Company;

**"Board"** means the board of directors of the Company;

**"Committee"** means the remuneration committee of the Board;

**"Company"** means Diurnal Group plc, a public limited company incorporated in England and Wales with registered number 9846650; and

**"Group"** means the Company and its subsidiary undertakings from time to time.

**2. PURPOSE**

The purpose of the Committee is to establish a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual executive directors, to support the guidance in the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA. In performing its duties, the Committee will maintain effective working relationships with the Board and human resources personnel.

**3. CONSTITUTION AND MEMBERSHIP**

- 3.1 The Committee has been established as a committee of the Board by resolution of the Board.
- 3.2 The members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee and in consultation with the chairman of the Committee. The Committee shall comprise at least two members, one of whom shall be an independent non-executive director. In addition the chairman of the Board may also be a member of, but not chair, the Committee if he or she was considered independent on appointment as chairman.
- 3.3 The chairman of the Committee shall be appointed by the Board, on the recommendation of the nomination committee. In the absence of the chairman of the Committee, the members present shall select one of their number present to chair the meeting. The chairman of the Board shall not be eligible to be appointed as chairman of the Committee.
- 3.4 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two further periods of up to three years each, provided the director (other than if he or she is the chairman of the Board and also a member of the Committee) still meets the criteria for membership of the Committee, including the requirement to be independent.
- 3.5 The Company secretary 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 issues. Where the Company secretary is also an executive director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without executive directors being present.



#### 4. **ATTENDANCE**

- 4.1 The Committee may request the chairman of the Board, chief executive, finance director and any relevant senior management to attend meetings of the Committee, either regularly or by invitation, but such invitees have (save as set out in the following paragraph, or, in the case of the chairman of the Company, save as appointed to the Committee in accordance with **paragraph 2.2**), no right of attendance.
- 4.2 The chief executive shall have the right to address any meeting of the Committee.

#### 5. **MEETINGS**

- 5.1 The Committee will meet at least twice a year and at such other times as may be deemed necessary.
- 5.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of the chairman of the Committee.
- 5.3 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda and all appropriate and relevant papers, should normally be circulated to each member of the Committee, to any other person required or invited to attend, and to all other non-executive directors, at least five working days prior to the date of the meeting.
- 5.4 The quorum for meetings of the Committee shall be two members.
- 5.5 Decisions of the Committee will be made by majority vote. In the event of an equality of votes the chairman of the Committee will have a second or casting vote.

#### 6. **REPORTING**

- 6.1 Sufficient time should be allowed after Committee meetings for the Committee to report to the Board on the nature and content of discussion, on recommendations, and on actions to be taken. The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. The secretary will ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once approved, to all members of the Board, and to the Company secretary unless a conflict of interest exists or, in the opinion of the chairman of the Committee, it would be inappropriate to do so.
- 6.2 The Committee chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 6.3 The Committee shall produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is to be included in the Company's annual report at the AGM. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 6.4 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 accounts.
- 6.5 The Committee shall make whatever recommendations to the Board that it deems appropriate on an area within its remit where action or improvement is needed.
- 6.6 The chairman of the Committee should be present at the Company's AGM to respond to questions on matters within the responsibility of the Committee's activities.
- 6.7 Through the chairman of the Board, the Committee shall ensure that the chairman of the Committee maintains contact as required with its principal shareholders about remuneration.



7. **DUTIES OF THE COMMITTEE**

7.1 The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

7.2 The Committee shall:

- 7.2.1 have responsibility for setting a remuneration policy for all executive directors, the chairman of the Company and such other members of the executive management as it is designated to consider, including pension rights and compensation payments. Such policy shall be approved by shareholders as required under the Companies Act 2006. The Board itself or, where required by the Company's articles of association, the shareholders should determine the remuneration of the non-executive directors within the limits set out in the articles of association. No director or senior manager shall be involved in any decisions as to their own remuneration;
- 7.2.2 recognise and manage conflicts of interest when receiving views from executive directors or senior management, or when consulting the chief executive about its proposals;
- 7.2.3 recommend and monitor the level and structure of remuneration for senior management;
- 7.2.4 in determining the remuneration policy, take into account all factors which the Committee deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA and associated guidance. The objective of the policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate individual performance and to promote the long term success of the Company;
- 7.2.5 when setting remuneration policy for directors, review and have regard to the pay and employment conditions across the Company or Group especially when determining annual salary increases;
- 7.2.6 review the ongoing appropriateness and relevance of the remuneration policy and ensure that it is approved by shareholders at least every three years;
- 7.2.7 within the terms of the agreed policy and in consultation with the chairman and/or chief executive, as appropriate, determine the total individual remuneration package of the chairman, each executive director, company secretary and other designated senior executives including bonuses, incentive payments and share options or other share awards. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of non-executive directors within the limits set in the agreed remuneration policy and the Articles of Association. No director or manager shall be involved in any decisions as to his or her own remuneration;
- 7.2.8 in determination such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA and associated guidance;
- 7.2.9 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to

commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;

- 7.2.10 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 7.2.11 within the terms of the agreed remuneration policy, approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- 7.2.12 within the terms of the agreed remuneration policy, review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other designated senior executives and the performance targets to be used;
- 7.2.13 determine, as part of the general remuneration policy, as approved by shareholders, the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;
- 7.2.14 ensure that contractual terms on termination, and any payments made, are in line with the Company's remuneration policy, as adopted by shareholders, fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 7.2.15 oversee any major changes in employee benefits structures throughout the Company or Group;
- 7.2.16 agree the policy for authorising claims for expenses from directors; and
- 7.2.17 work and liaise as necessary with all other board committees.

## **8. OTHER MATTERS**

The Committee shall:

- 8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.2 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;
- 8.3 give due consideration to laws and 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 limited to the provisions of the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA and the requirements of the AIM Rules for Companies and Disclosure and Transparency Rules as well as guidelines published by the Association of British Insurers and the National Association of Pension Funds and any other applicable rules, as appropriate;
- 8.4 arrange for periodic reviews of its own performance and, at least annually, review its 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
- 8.5 ensure that these terms of reference are made available by placing them on the Company's website.
- 8.6 General Duties



In carrying out his or her specific duties set out above, each member of the Committee should also consider his or her general duties as a director of the Company, including:

- 8.6.1 his or her duty to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to all relevant factors;
- 8.6.2 his or her duty to exercise independent judgment;
- 8.6.3 his or her duty to exercise reasonable care, diligence and skill;
- 8.6.4 his or her duty to avoid conflicts of interest; and
- 8.6.5 his or her duty to act in accordance with the Company's constitution and only exercise his or her powers for the purposes for which they were conferred.

9. **AUTHORITY**

The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

These terms of reference were adopted by resolution of the Board passed on 21 December 2015.