

Carillion plc

MINUTES OF A MEETING OF THE REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

Held at 25 Maddox St., London W1
On Thursday 20 August 2015 at 9 am

Present:	Mrs. A. Horner	Chairman
	Mr. K. Cochrane	
	Mr. A. Dougal	
	Dr. C. Powell	
	Mr. R. F. Tapp	Secretary
In Attendance:	Mr. R. J. Howson	(part only)
	Mr. P. N. Green	
	Mrs. J. Dawson	
	Ms. J. Halfhead	Deloitte

1.0 Minutes

The minutes of the meeting of 26 February 2015 were approved.

2.0 Meeting Schedule

The meeting schedule was noted.

3.0 Executive Remuneration Update

Ms. Halfhead spoke to the detail of her paper which had been circulated. She noted the development of the Group's remuneration strategy, policy and metrics over a number of years. The Group's remuneration performance was also noted in the context of its financial and operational performance.

Mrs Horner noted that the role of the Committee was to ensure that remuneration was aligned to performance, but also to ensure that schemes were in place which did properly reward performance. In response to Mr Cochrane, it was noted that although the schemes had been amended to allow for an element of payment against personal performance to be detached from the financial elements, the schemes did not pay out until budgeted performance had been reached.

The Committee felt that that that arrangement remained unusual in the market, and Mr Cochrane commented that one would expect to see perhaps a payment of 60% of bonus on financial matters if budget were to be achieved. Mr Green also suggested that a radical simplification of the personal objectives, to achieve a smaller number of simpler objectives, would be appropriate, particularly given that some of the personal objectives were of a quasi-financial nature in any event.

In relation to LEAP, it also seemed inappropriate to set eps targets which the company could not conceivably achieve in current market conditions and which had not paid out for five years in spite of the perceived performance of the business against its competitors in difficult markets. It was noted that competitor's bonus and LEAP schemes were understood to have paid out in many of those years.

Mr Green noted that Standard Life had commented that the pension contribution or allowance for executive directors was higher than some competitors. The position in relation to executive directors was noted, and that the allowances paid to executive directors were on a different and higher basis than to others.

It was noted that any change in the schemes would require the company to go back to shareholders, but it was noted that other organisations were doing so and felt that it would be appropriate to do so.

Ms Halfhead also drew the attention of the Committee to the trend to greater disclosure of bonus performance. Clearly the issue needed to be approached with a degree of sensitivity and the use of fewer disclosable targets may be appropriate and in line with market practice. The use of bonus scoring was also something which should be reviewed.

It was noted also that there was a trend to increase the level of holding required of executive directors. The Group's policy current stood at 1x basic salary.

After discussion, it was agreed that Mrs Dawson and Ms Halfhead be asked to consider the options in relation to the broad scheme of remuneration including bonus, the balance of personal and financial objectives, and LEAP, and to revert to the Committee. Two further meetings would be set in the coming months.

4.0 Chief Executive's Pay Review

Mr Howson left the meeting.

Mrs Horner reminded the Committee that the second instalment of the Chief Executive's pay review had been agreed in the preceding year, subject to continued performance. It was agreed that it could be confirmed to Mr Howson that the Committee intended to proceed with the second instalment based on performance to date. The Committee will formally make a decision on pay increase at year end based on full year performance.

5.0 Date of Next Meeting

The next meeting would be held on 7 October 2015 at Maddox Street.



Chairman