

## Carillion plc

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

Held at 25 Maddox St., London W1  
on  
Wednesday 7 October 2015 at 8 am

<b>Present:</b>	Mrs. A. Horner	Chairman
	Mr. K. Cochrane	
	Mr. A. Dougal	
	Dr. C. Powell	
	Mr. R. F. Tapp	Secretary
<b>In Attendance:</b>	Mr. R. J. Howson	
	Mr. P. N. Green	
	Mrs. J. Dawson	
	Ms. J. Halfhead	Deloitte

#### 1.0 Minutes

The minutes of the meeting of 20 August 2015 were approved.

#### 2.0 Meeting Schedule

The meeting schedule was noted.

#### 3.0 Review of Current Incentive Plans

Mrs Dawson spoke to the detail of her paper which had been circulated, and a supplementary paper was tabled. Mrs Horner reminded the Committee that the meeting was the first of two supplementary meetings which had been timetabled to review the Group's approach to incentive plans.

The current plans were noted, and the purpose of the meeting was to review the arrangements to ensure that they reflected the performance of the business, and were both motivational and recognised the contribution of the individual concerned.

Mrs Dawson noted that there was a single bonus scheme, with both an eps and a personal element. Historically nothing had been paid out on a financial element for four years, since 2011.

Responding to Mr Cochrane, Mr Howson outlined the industry comparators and the outcomes of their respective schemes. A change had been made in 2013 to allow the payment of a personal element. The scheme remained complicated but allowed some payment for personal contribution. The bonus was intended to be largely self-financing.

Ms Halfhead noted the need for market competitiveness, and Mrs Horner reminded the meeting of the purpose of incentive schemes in driving performance, noting the trend to lower quantum but greater certainty. It was noted that the group operated a number of businesses where resources were scarce and under pressure, for which market remuneration was required. Whilst there was little attrition at senior levels, recruitment inevitably had to be done at market remuneration which did emphasise the difficulty.

The meeting reviewed the position concerning levels below senior management and noted the difficulty of remunerating certain of those roles – for example commercial managers – with in-demand skills. It also considered the nature and complexity of measures, whether eps was appropriate for the broader range of recipients, the flexibility of the current framework, the need to incentivise profitable growth and to facilitate retention. It was also important to ensure a continued focus on cash, and to reinforce appropriate behaviours.

The challenge was being market competitive relating to performance, particularly in the context of competitors having had price collapse following profit warnings and hence re-basing their shares giving growth which would cause schemes to pay out. It was also suggested that for the short term bonus it may be better to consider pre-tax profit than post-tax profit.

The paper included two main options. Mr Howson noted the preference was to retain the scheme as at present for the moment, with momentum to move to option 1 over a transitional period

After discussion, it was agreed that option 1 should be further developed, giving careful consideration to timing. A detailed consolidated proposal would be considered at the next meeting, and the December meeting would consider the 2016 bonus proposal.

The meeting then turned to consider the LEAP proposals. Mrs Dawson summarised the history of the LEAP position, noting again that it had not paid out at all for a number of years, but that following the inclusion of cash conversion in the 2013 LEAP it was currently expected that a small payment would become due under that scheme. It was noted that the LEAP extended only to a very small population.

Mr Mogford noted that had it become necessary to recruit a Chief Executive externally, a more competitive proposals would have been essential both for the purposes of recruitment and to allow the build-up of the holding of 200% of salary in shares which was now the usual level. It was agreed that further work would be carried out on the basis of the LEAP proposals and would be brought to the Committee in due course.

Mrs Dawson noted that without the balancing contribution from a change in bonus design it was difficult to amend the pension arrangements in place for the current executive directors which were based on the legacy of closed defined benefit schemes. It was agreed therefore that proposals for pension design should relate to new appointments and that these and shareholding should be covered at the next meeting.

**4.0 Date of Next Meeting**

The next meeting would be held on 4 November 2015 at Maddox Street.

Alison Horne

Chairman