

MELROSE INDUSTRIES PLC

(the "Company")

REMUNERATION COMMITTEE

(the "Committee")

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The Committee is established in accordance with article 92 of the Articles of Association of the Company.

1. Membership

1.1 Members of the Committee shall be appointed by the Board of the Company, on the recommendation of the Nomination Committee and in consultation with the chairman of the Remuneration Committee. The Committee shall comprise all the non-executive Directors.

1.2 The Board shall appoint the Committee chairman from among the members of the Committee. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

1.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members (other than the chairman of the board, if he or she is a member of the Committee) continue to be independent.

1.4 No one other than a Committee Member is entitled to attend meetings of the Remuneration Committee but others may attend by invitation of the Committee, as and when appropriate and necessary.

2. Secretary

The Secretary of the Committee or their nominee shall be the Secretary of the Company.

3. Quorum

The quorum for meetings of the Committee shall be any two of its members from time to time.

4. Meetings

The Committee shall meet at least twice per year, and at such other times as the Chairman of the Committee shall require.

5. Notice of Meetings

5.1 Any of the Committee Members may request a meeting of the Committee if he/she considers it necessary, to be arranged by the Secretary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and any other person required to attend, generally no later than 5 working days before the date of the meeting.

6. Minutes

6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee, once approved by the Chairman.

7. Annual General Meeting

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

8. Duties

The Committee shall:

8.1 consider and make recommendations to the Board of the Company on the framework or broad policy for the Remuneration of the Company's executive Directors, the Company Secretary and any other Senior Employee (as defined in paragraph 12 below). In doing so it shall take into account all factors which it deems appropriate, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the "Code") and associated guidance. The objective of such 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. The Remuneration of the non-executive Directors shall be a matter for the Chairman and the executive Directors. No Director or Senior Employee shall be involved in any decisions as their own Remuneration;

8.2 ensure that the policy developed under paragraph 8.1 above shall have the objective of ensuring that executive Directors and Senior Employees of the Company are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the long-term success of the Company;

8.3 when setting remuneration policy for executive Directors, review and have regard to pay and employment conditions across the Group, especially when determining annual salary increases;

8.4 review the on-going appropriateness and relevance of the remuneration policy;

8.5 approve the design of, and determine targets for, any performance-related pay schemes (including bonus schemes) operated by the Company and approve the total annual payments made under such schemes;

8.6 approve any material bonus on the sale of any Melrose Group business to any individual;

8.7 review the design of all share incentive plans for approval by the Board and shareholders;

8.8 approve any material long-term incentive plan for any Melrose Group company at inception;

8.9 determine the policy for, and scope of, pension arrangements for each executive Director and other Senior Employees;

8.10 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

8.11 within the terms of the agreed policy, and in consultation with the Company's chairman and/or chief executive, as appropriate, determine the terms of any service agreement to be entered into with any executive Director and the terms of appointment of any Senior Employee and determine the Remuneration of all executive Directors and other Senior Employees of the Company for recommendation to the Board;

8.12 oversee any major changes in remuneration throughout the Group;

8.13 agree the policy for authorising claims for business expenses from the executive Directors;

8.14 consider the pension consequences and associated costs to the Company of the basic salary increases and other changes in Remuneration;

8.15 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee; and

8.16 obtain reliable up-to-date information about remuneration in other companies of comparable scale and complexity

9. Reporting responsibilities

9.1 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

9.2 The Committee shall make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is considered to be required.

9.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and 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 put to shareholders for approval at the AGM.

9.4 Through the chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

10. Other

The Committee shall:

10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.

10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.

10.3 give due consideration to laws, regulations and any published guidelines or recommendation regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by The Investment Association and the National Association of Pension Funds and any other applicable rules, as appropriate.

10.4 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.

11. Authority

The Committee is authorised by the Board to:

11.1 investigate any activity within its terms of reference;

11.2 obtain, at the Company's expense, outside legal or other professional advice on any matter it considers appropriate to its terms of reference;

11.3 seek any information it requires from any employee of the Company or any of its subsidiaries from time to time (together '**Melrose Group**') to attend its meetings in order to provide any information that it might require in order to perform its duties; and

11.4 invite anyone that it considers to have relevant knowledge and experience to attend its meetings as necessary.

11.5 The Committee shall have authority to appoint remuneration consultants and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.

12. Interpretation

For the purposes of these Terms of Reference:

"Remuneration" shall mean the aggregate of salary, bonuses, benefits in kind, ex-gratia payments, commissions, pension contributions, allowances, participation in share options, profit sharing and other incentive remuneration schemes and any other benefit flowing to a person or anyone connected with them by reason of their employment, office or directorship in or of the Company or any company in the Melrose Group.

"Senior Employee" shall mean any employee of Melrose Industries PLC who is not an executive Director and whose base salary is in excess of £200,000.

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