

Wm Morrison Supermarkets Plc

Remuneration Committee

Terms of Reference

1. Membership

- 1.1 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 Remuneration Committee. The Committee shall be made up of at least 3 members, each of which are independent non-executive directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman or Chief Executive may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.
- 1.4 The Board shall appoint the Committee Chairman who shall be an independent, non-executive director and determine the period for which they shall hold office. 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. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee.
- 1.5 In deciding chairmanship and membership of the Committee, the value of ensuring that committee membership is refreshed and that undue reliance is not placed on a particular individual should be taken into account.

2. Secretary

- 2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be 2. Attendance may be either in person or by telephone or video conferencing facility. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least twice a year and at such other times as appropriate. The Committee should also consider organising meetings to maximise attendance for example, timetabling them to coincide with Board meetings.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee (the "Secretary") at the request of any of its members.
- 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 as required), shall be forwarded to each member of the Committee and any other person required to attend and all other non-executive directors. A schedule of meetings will be agreed and circulated prior to the commencement of any new financial year. Wherever practicable all committee papers will be circulated no later than 3 working days before the date of the meeting.

6. Minutes of Meetings

- 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 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all other members of the Board, unless a conflict of interest exists.

7. Annual General Meeting

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities. In the event that the Chairman is unable to attend the Annual General Meeting, the Committee will appoint a deputy for that purpose.

8. Duties

The Committee shall:

- 8.1 determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive, Chairman, executive directors, and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;

- 8.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are encouraged to enhance the Company's performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- 8.3 review the ongoing appropriateness and relevance of the remuneration policy;
- 8.4 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;
- 8.5 review the design of all share incentive plans for approval by the Board and, where necessary, 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 and other executive management and the performance targets to be used;
- 8.6 determine the policy for, and scope of, pension arrangements for each executive director and other executive management;
- 8.7 agree the Company's policy in relation to compensation agreed to be paid to any executive director or other senior managers in connection with early termination of employment and, where appropriate, office as director;
- 8.8 review the terms of service agreements for each executive director and other executive management from time to time;
- 8.9 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, and ensure that failure is not rewarded and that duty to mitigate loss is fully recognised;
- 8.10 within the terms of the agreed policy, and in consultation with the Chairman and Chief Executive, determine the total individual remuneration package of each executive director and other executive management including bonuses, incentive payments and share options or other share awards;
- 8.11 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations on the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- 8.12 review and note annually the remuneration trends across the company or group;
- 8.13 oversee any major changes in employee benefits structures throughout the company or group;

- 8.14 ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled;
- 8.15 ensure that appropriate benchmark information is available for remuneration monitoring purposes;
- 8.16 agree the policy for authorising claims for expenses from the Chief Executive and Chairman of the Company;
- 8.17 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms for any remuneration consultants who advise the Committee, at the Company's expense; and where remuneration consultants are appointed, make a statement available of whether they have any other connection with the Company. The Committee will only seek outside advice as and when required;
- 8.18 to consider other matters as referred to the Committee by the Board.

9. Reporting Responsibilities

- 9.1 The Committee Chairman shall report formally to the Board, after each meeting, on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 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.
- 9.4 The Committee shall produce the statement required to be included in the annual report of the Company identifying the membership of the Committee and the frequency of, and attendance by members at, Committee meetings over the course of the year.

10. Other

- 10.1 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 to the Board for approval.

11. Authority

- 11.1 The Committee is authorised by the Board to seek any information it requires from any employee of the company in order to perform its duties.
- 11.2 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.