

# **Hollywood Bowl Group Plc**

(the “Company”)

## **Remuneration Committee**

**Terms of Reference adopted by the board on 20 October 2016**

### **1. Introduction**

- 1.1 The board of directors of the Company (the “**Board**”) has resolved to establish a Remuneration Committee (the “**Committee**”).
- 1.2 The primary purpose of the Committee is to assist the Board in determining the Company’s remuneration policies for the chairman and the executive directors (including payments and awards under bonus plans, pension schemes and any other compensation arrangements). In performing its duties the Committee will maintain effective working relationships with the Board and HR personnel.

### **2. Membership**

- 2.1 The Committee shall comprise at least two members, all of whom shall be independent non-executive directors. The chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as chairman. 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.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary. No member of the Board (or the Committee) shall attend meetings of the Committee where his or her own remuneration is under discussion.
- 2.3 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.
- 2.4 The Board shall appoint the Committee chairman who shall be an independent non-executive director. 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 who would qualify under these terms of reference to be appointed to that position by the Board. The chairman of the Board shall not be chairman of the Committee.

### **3. Secretary**

The Company secretary or his or her nominee 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 the issues.

#### **4. Quorum**

4.1 The quorum necessary for the transaction of business shall be two. 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.

4.2 Each member of the Committee shall disclose to the Committee:

4.2.1 any personal financial interest (other than as a shareholder of the Company) in any matter to be decided by the Committee; or

4.2.2 any potential conflict of interest arising from a cross-directorship.

4.3 Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions).

#### **5. Meetings**

The Committee shall meet at least once a year and otherwise as required by the chairman of the Committee.

#### **6. Notice of meetings**

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman or any other member of the Committee and may be conducted whether the members are physically present or in the form of either video or audio conferences.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time. Papers required by the Committee may be provided electronically.

#### **7. Minutes of meetings**

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

7.2 The secretary of the Committee shall ascertain, at the beginning of each Committee meeting, the existence of any conflict of interest and minute them accordingly<sup>1</sup>.

7.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee chairman it would be inappropriate to do so.

#### **8. Annual General Meeting**

The Committee chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

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<sup>1</sup> Pursuant to sections 177 and 182 of the Companies Act 2006, a director is required to declare his interest in a proposed or existing transaction or arrangement with the Company to the 'other directors', therefore details of any such conflict must also be provided to the Board accordingly.

## 9. Duties

- 9.1 The Committee should carry out the duties detailed below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.
- 9.2 The Committee shall:
- 9.2.1 have responsibility for setting the remuneration policy for all executive directors, the Company's chairman and other designated senior executives, including pension rights and any compensation payments. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration.
  - 9.2.2 Submit for approval by the Board and shareholders a Directors' Remuneration Policy (to be included in the Directors' Remuneration Report as appropriate):
    - (a) every three years; or
    - (b) in any year in which there is change relative to the prior year; or
    - (c) if shareholder approval was not achieved when last submitted; or
    - (d) if majority shareholder approval was not achieved on the last submitted Annual Remuneration Report.
  - 9.2.3 recognise and manage conflicts of interest when receiving view from executive directors or senior management, or when consulting with the chief executive about its proposals;
  - 9.2.4 recommend and monitor the level and structure of remuneration for senior management.<sup>2</sup>
  - 9.2.5 in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance 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 strategic term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.
  - 9.2.6 when setting remuneration policy for directors, review and have regard to pay and employment conditions across the Company or group, especially when determining annual salary increases.
  - 9.2.7 review the on-going appropriateness and relevance of the Company's remuneration policy;
  - 9.2.8 ensure that any payment approved to be made to the Company's chairman, executive directors, or any other person covered by the Directors' Remuneration Policy is in line

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<sup>2</sup> The definition of "senior management" for this purpose should be determined by the Board but should normally include the first layer of management below Board level

with the last Directors' Remuneration Policy approved by shareholders and if not, that the payment, or a revised Directors' Remuneration Policy, is put to shareholders for approval;

- 9.2.9 within the terms of the agreed policy and in consultation with the Company's chairman and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director, the Company's chairman and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- 9.2.10 approve appropriate remuneration packages for any new executive director or senior executive appointments, and termination packages, including contractual terms and pension benefit entitlements, ensuring where relevant that any packages and components thereof are permitted under the latest shareholder approved Directors' Remuneration Policy and if not that either a revised Directors' Remuneration Policy or the proposed payment are submitted for shareholder approval;
- 9.2.11 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code and the listing rules of the Financial Conduct Authority and associated guidance;
- 9.2.12 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;
- 9.2.13 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 9.2.14 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 (in accordance with the provisions of paragraph D.1.1 and Schedule A of the UK Corporate Governance Code);
- 9.2.15 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;
- 9.2.16 determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;
- 9.2.17 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;
- 9.2.18 oversee any major changes in employee benefits structures throughout the Company or group;
- 9.2.19 agree the policy for authorising claims for expenses from the directors; and
- 9.2.20 work and liaise as necessary with all other Board committees.

## **10. Reporting responsibilities**

- 10.1 The Committee chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall submit for approval by the Board and shareholders an Annual Report on Remuneration to be included in the Directors' Remuneration Report, which should include the information on directors' remuneration required to be disclosed by the Companies Act 2006 (including regulations made thereunder), the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and any other relevant statutory, regulatory or governance codes.
- 10.4 Through the chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

## **11. Other matters**

- 11.1 The Committee shall:
  - 11.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance and to any information it requires from any employee of the Company in order to perform its duties as required;
  - 11.1.2 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;
  - 11.1.3 give due consideration to laws, 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 not limited to the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus Rules, and Disclosure Guidance and Transparency Rules, the Director's Duties contained in the Companies Act 2006 as well as guidelines published by the Investment Association and the National Association of Pension Funds and any other applicable rules, as appropriate;
  - 11.1.4 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
  - 11.1.5 ensure that the terms of reference are made available by placing them on the Company's website.

## **12. Authority**

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