

MERLIN ENTERTAINMENTS PLC

REMUNERATION COMMITTEE

TERMS OF REFERENCE

Members:	Senior Independent Non-executive Director Chairman of the Board At least 2 further Independent Non-executive Directors
Observers:	KIRKBI Representative Non-executive Director ¹
Chairman:	Senior Independent Non-executive Director
Attendees:	Group Chief Executive Officer Group HR Director Company Secretary
Frequency of Meetings:	At least two meetings per annum

I. Membership

- I.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.
- I.2. The Committee shall be made up of at least 3 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 by the Company to be independent on appointment as Chairman.
- I.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Group Chief Financial Officer, the Group Compensation & Benefits Director and, where considered appropriate, external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- I.4. Appointments to the Committee are made by the Board (subject to paragraph I.1 above) and shall be for a period of up to three years, which may be extended for two further three-year periods.

¹ KIRKBI is entitled to appoint one Observer to the Main Board, Audit Committee, Remuneration Committee and Nomination Committee for so long as it holds more than 10% of the issued share capital of the Company pursuant to a Relationship Agreement dated 30 October 2013.

1.5. The Board shall appoint the Chairman of the Committee who shall be an Independent Non-executive Director who has served on a remuneration committee for no less than 12 months. In the absence of the Chairman of the Committee 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.

1.6. The Chairman of the Board shall not be Chairman of the Committee.

2. Secretary

2.1. The Company Secretary or their 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.

3. Quorum

3.1. The quorum necessary for the transaction of business shall be 2 Non-executive Directors.

3.2. 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.

3.3. Meetings of the Committee may be held telephonically or by any other means whereby the participants are able to communicate effectively with each other.

4. Frequency of meetings

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

5. Notice of meetings

5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.

5.2. Unless otherwise agreed and except where a situation of urgency otherwise requires, wherever practicable, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be communicated to each member of the Committee, any other person required to attend and all other Non-executive Directors, no later than 5 working days before the date of the meeting. Supporting papers shall, wherever practicable, be provided to Committee members and to other attendees as appropriate, at the same time.

- 5.3. Papers required by the Committee may be provided electronically (including on the Company's Board management portal) or in hard copy as circumstances permit.

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. 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 Chairman of the Committee, it would be inappropriate to do so.

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.

8. Duties

- 8.1. The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee shall:

- 8.2. have responsibility on behalf of the Board for determining and setting the remuneration policy for all executive Directors and the Chairman of the Board, 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;
- 8.3. in determining the remuneration policy in accordance with 8.2, 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 (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 strategic long-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;

- 8.4. recommend (for the approval of the Board) a remuneration policy (including pension rights and compensation payments) for the Company Secretary and senior managers;
- 8.5. recommend (for the approval of the Board) and monitor the level and structure of remuneration for the Company Secretary and senior managers;
- 8.6. when setting the remuneration policy for Directors, review and have regard to pay and employment conditions across the Company or Group especially when determining annual salary increases;
- 8.7. review on an ongoing basis the appropriateness and relevance of the remuneration policy, with due regard to workforce remuneration policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;
- 8.8. within the terms of the remuneration policy and in consultation with the Chairman of the Board and/or Chief Executive, as appropriate, determine the total individual remuneration package of the Chairman of the Board and each Executive Director, Company Secretary and other designated senior executives including bonuses, incentive payments and share options or other share awards and review such package at least annually;
- 8.9. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Code and the UK Listing Authority's Listing Rules and associated guidance;
- 8.10. 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, within any budgetary restraints imposed by the Board;
- 8.11. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 8.12. review and approve the design of, and determine targets for, any senior management performance related pay schemes operated by the Company. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards and the performance targets to be used;
- 8.13. review and approve 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 and the performance targets to be used;
- 8.14. approve the policy and scope of pension arrangements or major changes to existing arrangements;

- 8.15. 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;
- 8.16. review and note annually the remuneration trends across the Group;
- 8.17. oversee any major changes in employee benefits structures throughout the Group;
- 8.18. agree the policy for authorising claims for expenses from the Group Chief Executive Officer and Chairman of the Board;
- 8.19. ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.
- 8.20. ensure one non-executive director joins the employee forum and meets with members annually to discuss remuneration matters.

9. Reporting Responsibilities

- 9.1. The Chairman of the Committee 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 it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Committee shall ensure that provisions regarding disclosure of information, including pensions, gender pay gap reporting, and pay ratios as set out in the Code, current legislation and relevant regulations, 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 annual general meeting. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 9.4. Through the Chairman of the Board, the Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.

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.

The Committee shall:

- 10.2. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.3. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 10.4. give due consideration to laws, regulations, provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules; and
- 10.5. give due consideration to guidelines published by the Investor Association, the Pensions and Lifetime Savings Association and other external organisations, as appropriate.

11. Authority

- 11.1. The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 11.2. 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.
