

Renishaw plc

Remuneration and Nomination Committee Terms of Reference

(approved by the Board and adopted by the Committee on 21 January 2004)

1. Membership

- 1.1 The Committee shall be appointed by the Board and shall comprise a chairman and at least 2 other members.
- 1.2 All members of the Committee shall be independent non-executive directors.
- 1.3 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence
- 1.4 The Board shall appoint the chairman of the Committee who shall be an independent non-executive director. In the absence of the chairman of the Committee, the remaining members present shall select one of their number present to chair the meeting.

2. Secretary

The Committee shall nominate one of its members to act as the secretary of the Committee.

3. Quorum

The quorum necessary for the transaction of business shall be 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.

4. Frequency of meetings

The Committee shall meet not less than 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 convened by the secretary of the Committee at the request of any member of the Committee.
- 5.2 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 and any other person attending the meeting no less than 3 working days before the date of the meeting.

6. Minutes of meetings

- 6.1 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary should ascertain at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be made available to others members of the Board upon request.

7. Annual General Meeting

The chairman of the Committee shall attend the Annual General meeting to respond to any shareholder questions on the Committee's activities.

8. Duties

8.1 Duties regarding remuneration

8.1.1 Determination of remuneration policy

- (a) The Committee shall determine and agree with the Board the framework or broad policy for the remuneration of the executive directors. The consideration of the remuneration of non-executive directors shall be a matter for the executive directors.
- (b) In determining such policy, the Committee shall take into account all factors that it deems necessary. The objective of such policy shall be to ensure that executive directors are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.
- (c) The policy shall include the scope of pension arrangements, any service agreements, termination payments and compensation commitments.

8.1.2 Determination of remuneration packages

- (a) Within the terms of the agreed policy, the Committee shall determine the total individual remuneration package of each executive director, including, where appropriate, bonuses, incentive payments and share options.
- (b) No director shall be involved in any decisions as to his or her own remuneration.
- (c) The Committee shall determine targets for any performance related pay schemes operated by the Company and ask the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements.
- (d) In determining such packages the Committee shall give due regard to the comments and recommendations of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance.

8.1.3 Monitoring and review

- (a) The Committee shall review competitor companies policies and remuneration packages but ensure that automatic increases are not implemented.
- (b) The Committee shall be aware of and oversee any major changes in employee benefit structures throughout the Company or Group.

8.1.4 Reporting

- (a) The Committee shall ensure that the provisions regarding disclosure of remuneration, including pensions, as listed in the Directors' Remuneration Report Regulations 2002 are fulfilled.
- (b) The Committee shall produce an annual report of the Committee's remuneration policy.

8.2 Duties regarding nomination

8.2.1 The Committee shall:

- (a) regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;

- (b) prepare a description of the role and capabilities required for a particular appointment;
- (c) be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- (d) satisfy itself with regard to succession planning, that the processes and plans are in place with regard to both Board and senior appointments;
- (e) assess and articulate the time needed to fulfil the role of Chairman, senior independent director and non-executive director, and undertake an annual performance evaluation to ensure that all members of the Board have devoted sufficient time to their duties;
- (f) ensure on appointment that a candidate has sufficient time to undertake the role and review his or her commitments; and
- (g) ensure that the Board has formally written to any appointees, detailing the role and time commitments and proposing an induction programme.

8.2.2 The Committee shall also make recommendations to the Board:

- (a) as to the continuation in appointment of any non-executive director once he or she has served 6 years in office;
- (b) as to whether a director who has reached the age of 70 should continue in office;
- (c) concerning the re-election by shareholders of any director under the retirement by rotation provisions in the Company's articles of association;
- (d) concerning any matters relating to the continuation in office of any director at any time;
- (e) detailing items that should be published in the Annual Report relating to the activities of the Committee; and
- (f) with regard to nominations for membership and chairmanship of the Audit Committee.

9. Authority

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 9.2 to obtain, at the Company's expense within an agreed budget, external legal or other professional advice on any matters within its terms of reference, including remuneration consultancy advice, subject to setting appropriate terms of reference for such consultants; and
- 9.3 to seek advice and assistance from any of the Company's executives, subject to ensuring that this role is clearly separated from their role within the business.