

J Sainsbury plc

Remuneration Committee – Terms of Reference

Approved by the Board on 1 November 2016

Note: References to “the Committee” shall mean the Remuneration Committee; references to “the Board” shall mean the Board of Directors; references to “the Company” shall mean J Sainsbury plc and/or its subsidiaries.

1. Purpose

- 1.1 The primary function of the Committee is to recommend to the Board the remuneration strategy for the Executive Directors, Chairman and senior management and to determine within that framework a remuneration policy aligned to the long-term success of the Company.

2. Membership

- 2.1 The Board is responsible for the appointment of members to the Remuneration Committee, for setting the term of members’ appointments and for the revocation of any such appointments.
- 2.2 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so as long members continue to be independent.
- 2.3 The Remuneration Committee shall comprise not less than three members, all of whom shall be independent Non-Executive Directors. The Chairman of the Board may also be a member of the Remuneration Committee if he or she was considered independent on appointment as Chairman, but may not chair it.
- 2.4 The Board shall appoint the Chairman of the Committee, who shall be a Non-Executive Director. The Chairman of the Committee will normally have been a member of the Committee for at least a year prior to being appointed Chairman. In the absence of the Committee Chairman, the other members shall elect one of themselves to chair the meeting.
- 2.5 No one other than members of the Committee is entitled to be present at Committee meetings. The Company Chairman, Chief Executive Officer and Group HR Director shall normally be in attendance, and other individuals may be invited to attend, except when issues regarding their own remuneration are discussed. The Committee’s remuneration consultants shall attend meetings as requested by the Committee Chairman.

3. Secretary

- 3.1 The Company Secretary shall act as secretary to the Committee and shall produce such papers and minutes of the Committee’s meetings as are appropriate, in a timely manner.

4. Quorum

- 4.1 The quorum shall be two Committee members, one of whom should be the Committee Chairman unless he/she is unable to attend.

5. Meetings

- 5.1 Meetings of the Remuneration Committee shall be held as necessary but not less than three times a year and at such other times as the Chairman of the Committee shall require.
- 5.2 All members of the Committee shall be advised of the business to be transacted at any meeting even if they are unable to be present.

6. Minutes

- 6.1 The minutes of the meetings shall be circulated to all members of the Committee, the Company Chairman and Chief Executive Officer and Group HR Director and, if not members of the Committee, the other Non-Executive Directors of the Company, unless in the opinion of the Chairman of the Committee it would be inappropriate to do so.

7. Duties

- 7.1 The Committee shall:
- a) set a remuneration policy which promotes the long-term success of the Company;
 - b) determine and agree with the Board the broad policy for the remuneration of the Board Executive Directors, the Chairman and other members of the senior management referred to below;
 - c) have delegated authority to set individual remuneration arrangements for the Company's Chairman, the Chief Executive Officer and other Board Executive Directors. No individual will be involved in any decision relating to their own remuneration;
 - d) recommend and monitor and note the level and structure of remuneration for senior management. The Committee shall determine which colleagues are "senior management" for this purpose – as at the date of adoption of these terms this covers members of the Operating Board, the Company Secretary and any other executive whose salary exceeds that of any Operating Board Director;
 - e) in determining remuneration for those referred to above, review and agree:
 - overall market positioning of the remuneration package;
 - individual base salaries and increases;
 - the design and operation of any performance related/variable pay schemes (including annual, medium and long-term incentive/bonus arrangements), set the relevant performance targets and determine the payouts under the arrangements; and
 - pension arrangements, benefits and any other remuneration.
 - f) be responsible for authorising all remuneration arrangements that involve the use of shares, including all-employee share plans. 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 Board Executive Directors and the performance targets to be used. The Committee will monitor compliance with the recognised Institutional Investor limits on the issue of the Company's shares under employee share plans;
 - g) note any major change to the terms of the Company's all-employee share plans;

- h) approve the service contracts of Board Executive Directors, including termination arrangements;
- i) review the terms and operation of the Share Ownership Guidelines;
- j) review and note annually the remuneration trends across the Company and be aware of and consider any major changes in employee benefit structures when determining executive remuneration;
- k) be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultant who advises the Committee;
- l) in determining remuneration policy and packages, have regard to the UK Corporate Governance Code, the UKLA Listing Rules and all other relevant codes, laws and regulations;
- m) agree the policy for authorising claims for expenses from the directors;
- n) ratify the appointment of the Group HR Director; and
- o) determine any remuneration related matters affecting Sainsbury's Bank as delegated by the Board under its Reserved Powers and note any other material remuneration matters affecting the Bank.

7.2 The fees and other payment arrangements for Non-Executive Directors are matters for consideration by a sub-committee of the Board, consisting of the Chairman and one or more Executive Directors, which shall make recommendations to the Board as a whole.

8. Reporting responsibilities

8.1 The Chairman of the Committee shall report to the Board after each meeting.

9. Other matters

9.1 The Committee should consult the Chairman and/or the Chief Executive Officer about their proposals relating to the remuneration of other Executive Directors. The Committee shall be supported by the Group HR Director.

9.2 The Committee will consider and recommend to the Board the content of the Directors' Remuneration Report which will have regard to and reflect all relevant legislation and regulations.

9.3 The Chairman of the Committee shall be available to answer questions at the Annual General Meeting on remuneration issues with regard to the Board and senior management and generally on remuneration principles and practice.

9.4 The Committee Chairman shall undertake to liaise as necessary with institutional investors on policy or any other aspect of senior remuneration. Where appropriate such engagement may also be through the Company Chairman or such other individual deemed appropriate by the Committee.

9.5 The Committee shall undertake any other duties as directed by the Board.

9.6 Where considered appropriate, Committee members should have access to suitable training, in the form of an induction programme for new members and/or on an on-going basis for all members.

9.7 Once a year the Committee should consider its own performance and review its membership and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

10. Authority

10.1 The Remuneration Committee is authorised by the Board to obtain legal, remuneration or other professional advice from both inside and outside the Group as and when required, at the Company's expense, and to appoint and secure the attendance of external consultants and advisors if it considers this beneficial.