

DATED 20 January 2011

HMV GROUP PLC

**TERMS OF REFERENCE OF THE
REMUNERATION COMMITTEE**

HMV GROUP PLC

TERMS OF REFERENCE FOR REMUNERATION COMMITTEE

1. CONSTITUTION

This committee of the Board known as the Remuneration Committee (the "**Committee**") is established under the Articles of Association of the Company. In these terms of reference, the "**Group**" means the Company and its subsidiaries from time to time.

2. MEMBERSHIP

2.1 The Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company and shall consist of not less than three members. The Chairman of the Board shall not be a member of the Committee.

2.2 The chairman of the Committee shall be appointed by the Board, who shall be an independent non-executive director. In the absence of the chairman of the Committee or any deputy appointed by the Board, the remaining members present at any meeting shall elect one of their number to chair the meeting.

2.3 If a regular member is unable to act due to absence, illness or any other cause, the chairman of the Committee may, if there are any other independent non-executive directors available, appoint another independent non-executive director of the Company to serve as an alternate member.

2.4 Appointments to the Committee shall be for a period of three years, which may be extended by two further three-year periods, provided the director still meets the criteria for membership of the Committee.

3. SECRETARY

The secretary of the Committee shall be the Company Secretary or their nominee or such other person as the Committee shall from time to time decide.

4. QUORUM

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

5. ATTENDANCE AT MEETINGS

The Committee shall have the discretion to decide who, other than its members, shall attend its meetings. However, no person shall be involved in any decision or present at any discussions of the Committee as to his or her own remuneration.

6. FREQUENCY OF MEETINGS

6.1 Meetings shall be held not less than three times a year and shall be summoned by the secretary of the Committee at the request of the chairman of the Committee.

6.2 In addition to the routine meetings of the Committee, either the chairman of the Committee or any other member of the Board may at any time request the secretary of the Committee to summon a meeting if he or they consider that one is necessary.

7. AUTHORITY

7.1 The Committee is authorised to investigate the remuneration paid by other companies of a similar size in a comparable industry sector and to make such other investigations or authorise such research as it considers desirable for the purposes of fulfilling its terms of reference or assessing the Company's remuneration policies and practices when compared with comparable companies.

7.2 The Committee is authorised to seek any information it requires from any employee or director of the Group in order to perform its duties and all employees or directors are directed to co-operate with any request made by the Committee.

7.3 In connection with its duties, the Committee is authorised by the Board to obtain internal or external legal or other independent professional advice including the advice of independent remuneration consultants and to secure the attendance of internal or external professional advisers at its meetings if it considers this necessary.

8. DUTIES

8.1 The duties of the Committee shall be to determine, on the basis of the considerations specified in 9.2 below, on behalf of the Board and the shareholders:

- (a) the broad policy regarding executive remuneration taking into account all relevant factors;

- (b) the entire individual remuneration and incentive packages for each of the executive directors and for the senior executives of the Group (excluding the executive directors) (together 'the Employees') who shall be such individuals as listed in Schedule I annexed hereto, or as the Committee shall determine from time to time, and the fixing of the terms of employment and service agreements of those persons;
- (c) the participation of the Employees in any discretionary employee share or other incentive schemes and bonus arrangements operated by the Company;
- (d) targets for any performance-related payments for the Employees and individual incentives for the Employees including, without limitation:
 - (i) the setting and monitoring of any performance conditions subject to which any options or awards of shares may be granted under any executive share or share option schemes adopted by the Company; and
 - (ii) the setting and monitoring of any bonus or other incentive scheme performance conditions;
- (e) the policy for and scope of any pension arrangements for the Employees ;
- (f) the policy for and scope of any termination payments and the severance terms for the Employees ;
- (g) the provision of benefits under the terms of the service agreements or otherwise of the Employees where these are stated as being at the discretion, or otherwise requiring determination, of the Board;
- (h) the operation of the HMV Group plc Incentive Plan for Senior Executives (HIPS);
- (i) the administration of the Company's share and share incentive plans and share option schemes;
- (j) the assurance that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code (as amended from time to time) are fulfilled;

- (k) the exclusive responsibility for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee: and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations;
- (l) review annually the remuneration trends across the Company and the Group;
- (m) agree the policy for authorising claims for expenses from the Chief Executive Officer and the Chairman; and

any other matters relating to the above referred to the Committee by the Board.

8.2 The chairman of the Committee shall attend the annual general meeting of the Company to answer shareholders' questions relating to the executive directors' remuneration and benefits and should ensure that the Company maintains contact as required with its principal shareholders about remuneration in the same manner as for other matters.

9. OTHER

9.1 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.

9.2 The considerations referred to in 8.1 above are those required to be taken into account by the Listing Rules of the UK Listing Authority, all applicable codes of practice and laws and the Committee's view of good practice at the relevant time.

10. REPORTING RESPONSIBILITIES

10.1 The Committee should report annually to the shareholders on behalf of the Board. This report should form part of, or be annexed to, the Company's Annual Report and Accounts. It should contain the provisions specified in 10.2 below.

10.2 The annual report, referred to in 10.1 above, must contain such information as is required to comply with the Listing Rules of the UK Listing Authority, all applicable codes of practice and laws and the Committee's view of good practice at the relevant time, or, where the Committee has determined that there are good reasons for not so complying, an explanation of those reasons.

- 10.3 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.4 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11. NOTICE AND MINUTES

- 11.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.
- 11.2 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 5 days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 11.3 The members of the Committee shall cause minutes to be made of all resolutions and proceedings of the Committee including the names of all those present and in attendance at meetings of the Committee.
- 11.4 The secretary shall circulate minutes of the Committee meetings to all members of the Committee and to all attendees at the Committee meeting.

Schedule I

The senior executive group comprising the following:-

President HVM North America

Managing Director Waterstone's

Company Secretary and General Counsel

Director of Human Resources

Managing Director of MAMA Group Limited