

## **REMUNERATION COMMITTEE TERMS OF REFERENCE**

### **A. Membership**

1. The Committee shall comprise at least two members, each of whom shall be non-executive directors appointed by the Board upon the recommendation of the Nominations Committee.
2. All of the members of the Committee shall be "independent" in accordance with the terms of the Principles of Good Governance and Code of Best Practice contained in the Combined Code (the "**Combined Code**") published by the Financial Reporting Council.
3. Upon the recommendation of the Nominations Committee the Board shall appoint the Chairman of the Committee and determine the period for which he/she shall hold office. The Chairman of the Committee shall not be the Chairman of the Board.
4. The Company Secretary shall be the secretary of the Committee and shall keep minutes of its meetings.

### **B. Meetings**

1. The Committee shall meet at least once a year.
2. Meetings of the Committee may be called by any member of the Committee or by the secretary.
3. Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall normally be forwarded to each member of the Committee at least fifteen working days prior to the date of the meeting, although such notice period may be waived or shortened with the consent in writing of all the members of the Committee for the time being.
4. The quorum of the meeting shall be two.
5. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.
6. The Chief Executive shall be available, if invited, to attend and speak at the meetings of the Committee, or any part(s) thereof. Others may be called upon or shall be able to speak by prior arrangement with the Committee Chairman.

### **C. Duties**

The Committee shall have delegated authority to determine on behalf of the Board:

1. the framework or broad policy for the remuneration of the Group's Chief Executive, its other executive directors and for its senior staff (being those who report to any executive director);
2. in determining such policy, take into account such factors as it deems necessary. The object of the Group's remuneration policy shall be to ensure that members of the executive management of the Group 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 Group;
3. within the terms of the agreed policy, review and determine the Chief Executive's proposals for the total individual remuneration packages for each

- executive director including, where appropriate, bonuses, incentive plans and share options;
4. set the total individual remuneration for the Chief Executive including, where appropriate, bonuses, incentive plans and share options.
  5. oversight of the company-wide stock option or other equity based incentive plans including specific monitoring and control of the overall number of shares awarded (including vesting and/or exercise criteria) and the details of the general policy for distribution/award of option grants as well as any exceptional awards. The committee will be provided for reference with schedules showing all persons receiving option grants and the numbers of shares awarded as a basis for review/discussion;
  6. determine policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments for each of the executive directors and senior staff;
  7. in determining such packages and arrangements, give due regard to the contents and recommendations of the Combined Code, Listing Rules and associated guidance (including the guidance issued from time to time by the investment committees of the ABI and NAPF);
  8. ensure that provisions regarding disclosure of remuneration including pensions in accordance with the Listing Rules are fulfilled;
  9. consider each year whether circumstances are such that shareholders at the AGM should be invited to approve remuneration policy which has been set out in the annual report and accounts;

#### **D. Authority**

1. The Committee is authorised by the Board to seek any information it requires from the Secretary or any executive director in order to perform its duties.
2. The Committee is authorised by the Board, when the fulfilment of its duties requires, to obtain any outside legal or other professional advice including the advice of independent remuneration consultants, to secure attendance of external advisers at its meeting, if it considers this necessary and to obtain reliable up to date information about remuneration in other companies, at the Group's expense. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its obligations
3. The Committee has authority to determine the remuneration of Chairman but not that of the non-executive directors.

#### **E. Reporting**

The committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. Such report shall specifically include:

1. a summary of the activities of the committee;
2. details of the compensation of all directors (executive and non-executive);
3. a report of the Committee's remuneration policy which will form part of the annual report and accounts;
4. the number of committee meetings and attendance by each member.

At the next meeting of the Board following a meeting of the committee, the Chairman of the committee shall report to the Board upon the findings and recommendations of the committee except for matters concerning the compensation of the Chief Executive and other executive directors..

The Chairman of the committee shall attend the company's annual general meeting and be available thereat to answer questions about the work of the committee.

The committee shall, at least once per year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**F. Date of adoption**

These terms of reference were adopted by the Board on September 21<sup>st</sup>, 2006 and supersede all previous terms.