

THE REMUNERATIONS COMMITTEE – TERMS OF REFERENCE

A. Sub-Committee of the Board:

The Remuneration Committee ('the Committee') has been established under Article 108 of the Company's Articles of Association.

B. Membership of the Committee:

- 1) The Committee comprises the Chairman and the non-executive director. Each member shall be appointed by the Board (on the recommendation of the Nomination Committee and Chairman of the Remuneration Committee).
- 2) The Board shall appoint the Committee Chairman and determine the period for which the members of the committee shall hold office notwithstanding that, although the Chairman of the company might qualify as a member of the Committee, the Chairman of the company shall not normally be eligible to be appointed as Chairman of the Committee.
- 3) If the Chairman of the board is not a member of the Committee, the Chairman of the Committee will keep him fully informed of its actions.
- 4) Other executive directors may be called upon or shall be able to speak by prior arrangement with the chairman of the Committee.
- 5) The Committee Chairman and members shall be listed each year in the Annual Report.

C. Purposes of the Committee

The purpose of this Committee is to determine within the framework or broad policy established by the Board the specific remuneration packages of the Chairman and Executive Directors of the Board and within the Group, to ensure that the company achieves its goals and to monitor the level and structure of remuneration for senior management. The objective of such policy shall be to ensure that the Executive Directors are provided with total remuneration packages:

- Designed to be competitive and to attract, retain and motivate executives of a high calibre;
- Be appropriate to the scale of their responsibility;
- Provide for a significant element of 'at risk' performance-related pay; and
- Ensure directors identify with the interests of shareholders; and
- Are fairly remunerated in the light of their own personal performance, as reported on by the Group CEO, their contribution to the company's overall performance and, where appropriate, the performance of the divisions for whose performance they are individually directly responsible.

To this end the Committee shall:

- i) Approve the service contracts of all Executive Directors.
- ii) The Committee shall carefully consider what compensation commitments (including pension contributions and all other elements), the terms of these service contracts would entail in the event of early termination. The aim should be to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance and to take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss;

- iii) Notice or contract periods should be set at one year or less. If it is necessary to offer longer notice or contract periods to new Executive Directors recruited from outside, such periods should reduce to one year or less after the initial period.
- iv) Ensure there are adequate pension arrangements for all Executive Directors and in particular to determine which elements of a director's remuneration are pensionable.
- v) Establish and oversee the operation of appropriate short-term and long-term performance related bonus schemes for Executive Directors.
- vi) Be kept informed on a timely basis, of any proposal to terminate the employment of any director of the company, be responsible for agreeing the terms of any such termination and make any provision – whether in cash, benefits in kind or pension contribution – on the termination of his/her employment.
- vii) Oversee the operation of the company's share schemes and share plans.
- viii) Ensure that performance-related elements of remuneration form a significant proportion of the total remuneration package of Executive Directors and set appropriate performance targets in connection with these.
- ix) Judge where to position the company relative to other companies, but be aware what comparable companies are paying and take account of relative performance, using such comparisons with caution to avoid the risk that they can result in an upward ratchet of remuneration levels with no corresponding improvement in performance.
- x) Be sensitive to pay and employment conditions elsewhere in the company, especially when determining annual salary increases.
- xi) Monitor compliance with the overall limits on the issue of the company's shares for such schemes established from time to time by Institutional Investors' representative bodies.
- xii) In determining packages and arrangements for executive director remuneration, give due regard to the comments and recommendations of the Combined Code and the FSA's Listing Rules and associated guidance, such as Schedule A to the Combined Code and explain any non-compliance in the Company's Annual Report.
- xiii) Ensure that provisions regarding disclosure of remuneration including pensions as listed in Section 12.43A (c) of the FSA's Listing Rules are fulfilled.
- xiv) Produce an annual report on directors' remuneration, in accordance with schedule 7A to the Companies Act 1985, which will form part of the company's Annual Report and Accounts, for approval by shareholders at the AGM.
- xv) Ensure that the report on directors' remuneration includes, in respect of any executive director who serves as a non-executive director for any company not in the Abbeycrest group, a statement as to whether or not he shall retain such earnings and, if so, what these earnings are.
- xvi) Ensure that the chairman of the committee, or in his absence, an appointed deputy attends the company's AGM to answer shareholders' questions about directors' remuneration.
- xvii) Demonstrate to shareholders, staff and other stakeholders in the business that the remuneration of the executive directors of the board is set by a committee of directors who have no personal interest in the outcome of their decisions and who will give due regard to the interests of shareholders and to the financial and commercial health of the company.
- xviii) Liaise with the Nominations Committee to ensure that the remuneration packages of newly appointed executive directors are within the company's overall policy.
- xix) Make available these terms of reference, explaining its role and the authority delegated to it by the board and
- xx) Consider any other matters as referred to the Committee by the Board.

D. Meetings:

1. The Committee shall meet as necessary.
2. A meeting of the Committee may be called by any two members of the Committee upon giving reasonable notice to the other members of the Committee.
3. The quorum necessary for the transaction of business by the Committee shall be two.
4. In the absence of the Committee Chairman or any appointed Deputy, the remaining members present shall elect one of their number to chair the meeting.

5. In the event of equality of votes, the Committee Chairman shall have a casting vote.
6. No Committee attendee shall participate in any discussion or decision on his or her own remuneration.
7. Each member of the Committee shall disclose to the Committee any personal financial interest (apart from directors' fees and shareholders) in any matter to be decided by the Committee and any potential conflict of interest arising from a cross-directorship.

E. Professional Advice and Other Information:

1. The Committee is authorised by the Board to seek any information it requires from any staff member of the Company in order to perform its duties.
2. The Committee is authorised by the Board to obtain any outside legal or other independent professional advice and in respect of advice on executive director remuneration, should be responsible for appointing the consultants at the company's expense.
3. The Committee shall make the terms of reference of any appointed professional advisers available together with a statement of whether they have any other connection with the company.

F. Minutes:

1. Appropriate records of all meetings of the Committee will be kept, as well as minutes of the proceedings and all decisions made and such minutes shall be distributed, as appropriate, to all members of the board.
2. The Company Secretary shall make available to the Committee details of each executive director's total remuneration.
3. The Committee shall also determine the remuneration package of the Company Secretary.

G. Annual General Meeting and Contact with Shareholders:

The Chairman of the Committee shall attend the AGM, prepared to respond to any shareholder's questions on the Committee's activities.

The Committee shall ensure, in consultation with the Chairman of the company, that appropriate contact and consultation is maintained with the company principal shareholders about executive directors' remuneration packages.

Note:

The remuneration of the non-executive director shall be a matter for the board excluding the non-executive director and should be proposed by the Chairman and Group Finance and Operations Director.

End.