

BOARD REMUNERATION COMMITTEE

TERMS OF REFERENCE

(Adopted by the board on 6 December 2011)

Constitution

1. There shall be a committee of the board to be known as the Remuneration Committee (the committee).
2. The committee will comprise at least three members who shall be independent non-executive directors. A quorum shall be two members. The committee will appoint one of its members to act as chairman. The chairman of the board may also serve on the committee if he was considered independent on appointment as chairman but may not be chairman of the committee. The chairman shall ascertain at the beginning of each meeting the existence of any conflict of interest and arrange for them to be minuted accordingly. Where there is such a conflict, the member shall not participate in deliberations and decisions and in appropriate cases shall on request withdraw from the meeting to enable discussions to take place in their absence. For the purposes of a quorum, the member who is so conflicted shall not be counted.
3. Members of the committee shall be appointed by the board on the recommendation of the nomination committee and in consultation with the chairman of the remuneration committee. Appointments shall be for a period of up to three years, which may be extended for further periods of up to three years, provided that the director still meets the criteria for membership of the committee.
4. The company secretary shall be secretary for the committee and shall keep appropriate minutes of its proceedings which will be circulated to all members of the board unless a conflict of interest exists. The chairman will report to the board on issues discussed at the committee meetings.
5. Only members of the committee have the right to attend committee meetings. The chief executive and the group HR director will, by invitation and for matters not relating to themselves, attend meetings and be consulted by the committee on proposals relating to the remuneration of the other executive directors and appropriate senior executives. Individuals will not participate in deliberations and decisions where they have a direct personal interest.
6. The committee shall be authorised to take such internal and external advice as it considers appropriate to determine any aspect of remuneration, terms of service and incentives. The committee will select and appoint its own external advisers who will report to either the chairman of the committee or the chairman of the board. Where the committee requests internal advice the individual providing this shall have direct access to either the chairman of the committee or the

chairman of the board.

7. The committee shall have regard to and shall comply with the UK Corporate Governance Code; the Listing Rules together with the DTR Disclosure Rules and Transparency Rules of the UK Listing Authority and the Directors' Remuneration Report Regulations 2002 relating to remuneration committees or remuneration of directors and shall also have regard to any authoritative best practice guidelines for remuneration committees published from time to time.
8. The committee will meet not less than three times a year. The committee will consider remuneration policy annually. Only in exceptional circumstances will the committee consider remuneration policy more than once in a year. The committee will meet annually to consider bonus payments for the previous financial year and bonus targets for the forthcoming financial year. It will meet also to consider granting options under the company's share option schemes and awards under the company's share-based incentive schemes in place for executives, non-executives and senior management (as appropriate). The committee will meet at other times at the request of a committee member.
9. The remuneration of non-executive directors shall be a matter for the chairman and the executive members of the board. No director or manager shall be involved in any decisions as to their own remuneration.

Duties

The committee's duties are:

10. The committee will determine and agree with the board the framework of executive remuneration to include executive directors, the company secretary and a specific group of other senior executives. It will co-ordinate the development of remuneration strategy and policy for the rest of the group. In reaching its decisions, the committee shall have regard to the codified directors' duties contained in the Companies Act 2006.

11. The powers of the committee shall be:

11.1 In relation to executive directors (Group 1)

To determine all elements of the remuneration arrangements. Those elements may include, but are not restricted to, the following:-

Basic salary, bonus arrangements (including setting performance targets and approval of bonus payments), all share option and incentive schemes, pension arrangements, life insurance, prolonged disability cover, medical insurance, company car policy, notice periods, employment contracts, termination payments and compensation awards.

- 11.2 In relation to senior executive directors who report to main board directors (Group 2).

To determine all elements of the remuneration arrangements. Those elements may include, but are not restricted to, the following:-

Basic salary, bonus arrangements (including setting performance targets and approval of bonus payments), all share option and incentive schemes, pension arrangements, life insurance, prolonged disability cover, medical insurance, company car policy, notice periods, employment contracts, termination payments and compensation awards.

- 11.3. In relation to all other group employees, each subsidiary shall, annually, provide details of their remuneration policy and strategy to the committee. At such times as the committee believe it appropriate they may request information on remuneration policy across the group. The committee may, from time to time, make general recommendations on the group's framework of executive remuneration and its cost.
- 11.4 To approve general recruitment terms, remuneration benefits, employment conditions and severance terms for members of Groups 1 and 2.
- 11.5 To approve rules and associated guidelines for the granting of share options under the company's share-based incentive schemes in place from time to time. To set the performance targets for each such incentive scheme.
- 11.6 To ensure that contractual terms on termination and any payments made are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 11.7 To agree a policy for authorising claims for expenses from the directors.
12. The committee, in determining and setting remuneration and incentive packages, shall consider the performance of the company, executive remuneration data from comparable companies, the prevailing rate of inflation and shareholder interests. In considering remuneration the committee will consider each of these factors.

The committee shall determine which comparable companies to review. The committee is aware that it should use comparisons with caution to avoid increasing remuneration level without a corresponding improvement in performance.
13. The committee, in determining the performance-related elements of remuneration, should ensure that it forms a significant proportion of the total remuneration package of executive directors and should be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels.
14. The committee will seek to provide packages which will attract, retain and motivate executive directors and senior executives.

15. The committee should be sensitive to the wider scene, including pay and employment conditions elsewhere in the group, especially when determining annual salary increases.
16. In determining the basis on which the employment of an individual in Group 1 is terminated, where a service contract does not explicitly provide for compensation commitments or liquidated damages for termination without cause by the company, the committee shall, within legal restraints, tailor its approach in individual early termination cases to the particular circumstances surrounding the termination. The committee's 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 any obligation to mitigate loss on the part of the departing executive.
17. Executive share options should not be offered at a discount save as permitted by paragraphs 9.4.4 and 9.4.5 of the UK Listing Authority's Listing Rules (as amended or substituted from time to time).
18. The committee should be responsible, in accordance with the Listing Rules of the UK Listing Authority for reporting to the company's shareholders on behalf of the board, in relation to remuneration policies applicable to executive directors, drawing attention to factors specific to the company. In particular the committee will seek to provide executive management with appropriate incentives to encourage enhanced performance and in a fair and responsible manner, rewarded for their individual contributions to the success of the company.
19. Reporting responsibilities
 - 20.1 The committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
 - 20.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
 - 20.3 The committee shall produce a report of the company's remuneration policy and practices to be included in the company's annual report and ensure each year that it is put to shareholders for approval at the annual general meeting.
21. The decisions of the committee will be binding on the board.
22. Annual General Meeting

The committee chairman should attend the annual general meeting to answer any shareholder questions on the committee's activities.

23. Other matters

The committee shall:

- 23.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 23.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 23.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate; and
- 23.4 arrange for periodic reviews of its own performance and at least annually, review its 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.