

Appendix 2

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

1. Constitution

- 1.1 The Committee has been established by a resolution of the Board of Directors and will be known as the Remuneration Committee.

2. Membership

- 2.1. The members of the Remuneration Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than 2 members. Where possible the Remuneration Committee shall be composed by the majority of independent non-executive Directors of the Company. A quorum shall be 2 members.
- 2.2. The Chairman of the Remuneration Committee shall be a non-executive Director who shall be appointed by the Board.

3. Attendance at meetings

The Committee may at each meeting appoint one of their number to be the Secretary of the Committee.

4. Frequency of meetings

- 4.1 Meetings shall be held not less than 1 a year. The Chairman of the Company may request a meeting if he/she reasonable considers that one is necessary.

5. Authority

- 5.1 The Remuneration Committee is authorized by the Board to investigate any matter within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Remuneration Committee.
- 5.2 The Remuneration Committee is authorized by the Board to obtain outside professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. It is envisaged that in obtaining outside advice the Committee will act in conjunction with the Chairman of the Company.

6. Purpose

- 6.1 The purpose of the Remuneration Committee is to make recommendations to the Board.
- 6.1 To ensure that the executive Directors and other key employees of the Company (together, "Executives") are fairly rewarded for their individual contribution to the overall performance of the Company; and
- 6.2 To demonstrate to the shareholders of the Company that the remuneration of the executive Directors of the Company are set by a committee of the Board whose members have no

personal interest in the outcome of the decisions of the Remuneration Committee and who will have regard to the interest of shareholders.

7. Duties

The duties of the Remuneration Committee are:

- 7.1 to make recommendations to the Board and the general meeting of the Company on the Company's framework of executive remuneration and its cost;
- 7.2 to determine on behalf of the Board specific remuneration packages for each of the Executives, including pension rights and any compensation payments;
- 7.3 to consult the Company's Chairman about its proposals relating to the remuneration of Executives;
- 7.4 in designing schemes of performance-related remuneration, to follow the provisions of applicable legislation and stock-exchange rules that the Company is obliged to adhere to;
- 7.5 to comply with the principles and provisions of applicable legislation and stock-exchange rules that the Company is obliged to adhere to on directors' remuneration;
- 7.6 to ensure the performance-related elements of remuneration should form 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 such Directors incentives to perform at the highest levels;
- 7.7 to consider whether the Executives should be eligible for annual bonuses and, if so, to consider an upper limit for such bonuses;
- 7.8 to consider whether the Executives should be eligible for benefits under long-term incentive schemes and to weigh traditional share option schemes against other kinds of long-term incentive schemes;
- 7.9 to approve any amendments to be made to the rules of the share options schemes of any group company (except where such amendments require shareholder approval);
- 7.10 to consider the pension consequences and associated costs to the Company of basic salary increases and other changes in remuneration, especially for Executives close to retirement;
- 7.11 to provide the packages needed to attract, retain and motivate Executives of the quality required (but avoid paying more than is necessary for this purpose);
- 7.12 to consider where to position the Company relative to other companies and to be aware what comparable companies are paying, taking account of relative performance and using such comparisons with caution;
- 7.13 to be sensitive to the wider scene, including pay and employment conditions elsewhere in the Group, especially when determining annual salary increases;
- 7.14 to approve the terms of any service agreement to be entered into with any Executive, bearing in mind that an object should be to set notice or contract periods at one year or less

and that the performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive Directors and should be designed to align their interests with those of the shareholders;

- 7.15 to consider what compensation commitments (including pension contributions) the Executives' service agreements, if any, would entail in the event of early termination. Particular consideration should be given to the advantages of providing explicitly in the initial contract for such compensation commitments except in the case of removal of misconduct;
- 7.16 in early termination cases where the initial contract does not explicitly provide for compensation commitments, to tailor its approach (within legal constraints) to the circumstances. 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 Executives' obligations to mitigate loss; and
- 7.17 to consider other matters as referred to the Remuneration Committee by the Board.

8. Exclusions

The terms of reference of the Remuneration Committee do not encompass decisions to employ or dismiss Executive. The Remuneration Committee does not have responsibilities for nominations to the Board.

9. Reporting Procedure

The Secretary of the Committee shall circulate the minutes of the meetings of the Remuneration Committee to all members of the Board.