

Remuneration Committee terms of reference

1. Membership

- 1.1 Members of the committee shall be appointed by the board, in consultation with the nominations committee and the chairman of the remuneration committee. The committee shall be made up of at least three members, the majority of which shall, in the opinion of the board, be independent non-executive directors. The chairman of the board may also serve on the committee as an additional member if he/she was considered independent on appointment as chairman.
- 1.2 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chief executive and external advisors may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3 Appointment to the committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director still meets the criteria for membership of the committee. Any further term will be based on annual re-appointment.
- 1.4 The board shall appoint the committee chairman. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The chairman of the board shall not be chairman of the committee.
- 1.5 Until further notice, the members of the remuneration committee:
- Mrs C.I. Arney (Chairman)
Mr. S. Fraser
Mr S.G. Young

2. Secretary

The company secretary or their nominee shall act as the secretary of the committee.

3. Quorum

The quorum necessary for the transaction of business shall be two. A member may attend a meeting by telephone. 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.

4. Meetings

The committee shall meet at least three times a year and at such other times as the chairman of the committee shall require.

5. Notice of meetings

- 5.1 Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members.
- 5.2 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 and any other person required to attend, no later than five days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

6. Minutes of meeting

- 6.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of committee meetings shall be circulated promptly to all members of the committee and, once agreed, be made available to all members of the board, unless a conflict of interest exists.

7. Annual General Meeting

The chairman of the committee shall attend the annual general meeting prepared to respond to any shareholder questions on the committee's activities.

8. Duties

The committee shall:

- 8.1 determine and agree with the board the framework or board policy for the remuneration of the company's chief executive, the executive directors, the company secretary and such other members of the executive management as it is designated to consider. 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;
- 8.2 in determining such policy take into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The object of such policy shall be to ensure the members of the executive management of the company are provided with appropriate incentives to encourage enhanced performance without paying more than is necessary. The remuneration policy should have regard to the risk appetite of the company and alignment of the company's long strategic term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the company;
- 8.3 review the ongoing appropriateness and relevance of the remuneration policy;

- 8.4 When setting remuneration policy for directors, review and have regards to pay and employment conditions across the company or group, especially when determining annual salary increases;
- 8.5 approve the design of and determine targets for, any performance related pay schemes operated by the company in which the executive directors participate and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the UK Corporate Governance Code);
- 8.6 review the design of all share incentives plans for approval by the board and shareholders. For any such plans in which the executive directors participate, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- 8.7 determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- 8.8 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;
- 8.9 within the terms of the agreed policy and in consultation with the chairman and/or chief executive as appropriate, determine the total individual remuneration package of each executive director and other senior executives including bonuses, expenses, incentive payments and share options or other share awards;
- 8.10 agree the policy for authorisation claims for expenses from the chief executive and chairman;
- 8.11 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. The committee shall have full authority to appoint remuneration consultants and to commission any reports or surveys which it deems necessary to help it fulfil its obligations;
- 8.12 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- 8.13 oversee any major changes in employee benefits structures throughout the company or group.

9. Reporting responsibilities

- 9.1 The committee chairman shall keep the board apprised of its proceedings on all matters within its duties and responsibilities;

- 9.2 The committee shall make whatever recommendation to the board it deems appropriate on any area within its remit where action or improvement is needed;
- 9.3 the committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and 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 AGM. If the committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company.

10. Other matters

The committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and as required, on an ongoing basis for all members;
- 10.3 give due consideration to laws and regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Association of British Insured and the National Association of Pension Funds and any other applicable rules, as appropriate;
- 10.4 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.

11. Authority

The committee is authorised by the board to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference.