

REMUNERATION COMMITTEE – TERMS OF REFERENCE
ProStrakan Group plc

(adopted by resolution of the directors passed on 10
March 2005)

PROSTRAKAN GROUP PLC
REMUNERATION COMMITTEE – TERMS OF REFERENCE

1. Introduction

- 1.1 These terms of reference were adopted by a resolution of the board of directors of ProStrakan Group plc (the "Company") passed on 10 March 2005. The principal purposes of these terms of reference are:
- 1.1.1 to ensure that the directors and senior executives are fairly rewarded for their individual contributions to the Company's and its subsidiary undertakings' (together the "Group") overall performance; and
 - 1.1.2 to demonstrate to all the shareholders in the business that the remuneration of senior executives of the Company is set by a committee of board members who have no personal interest in the outcome of their decisions and who will give due regard to the interests of the shareholders and to the financial and commercial health of the Group.

2. Membership

- 2.1 The remuneration committee (the "Committee") shall be appointed by the board of directors of the Company (the "Board"), on the recommendation of the nomination committee in consultation with the chairman of the Committee. The Committee shall be made up of at least four (4) members.
- 2.2 Not less than three (3) of the members of the Committee shall be independent non-executive directors.
- 2.3 Appointments to the Committee shall be for a period of up to three (3) years which may be extended for two further three (3) year periods, provided the director remains independent.
- 2.4 The chairman of the Committee, who shall be the senior independent non-executive director (whom failing an independent non-executive director) shall be appointed by the Board. In the absence of the chairman of the Committee 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 the chairman of the Committee. For the avoidance of doubt, the chairman of the Committee shall not have a second or casting vote.
- 2.5 The company secretary or his/her nominee shall be the secretary of the Committee.

3. Attendance at Meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings.
- 3.2 Other individuals such as the chairman of the Board, the chief executive, the director of human resources and other external advisers may be invited to attend for all or part of any meeting as and when appropriate. For the avoidance of doubt, no person shall be present when his or her own salary is discussed.
- 3.3 The quorum necessary for the transaction of business at a meeting of the Committee shall be two (2) members. 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. Frequency of Meetings

- 4.1 The Committee shall meet at least twice 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 summoned by the secretary of the Committee at the request of any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting of the Committee confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five (5) working 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 Meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee, and, once agreed, to all members of the Board, unless a conflict of interest exists.

7. Authority

- 7.1 The Committee is authorised by the Board to investigate any matter within its terms of reference and to seek any information it requires from any employee of the Company in order to perform its duties. All employees are directed to co-operate (if required, on a confidential basis) with any request made by the Committee.
- 7.2 The Committee is authorised by the Board to obtain outside consultancy, legal or other independent professional advice at the cost of the Company, including advice as to comparability of pay and benefits and measurement criteria performance, and to secure the attendance of outsiders with relevant experience and expertise on any matters within its terms of reference if it considers this necessary.

8. Duties

- 8.1 The duties of the Committee shall be:
- 8.1.1 to determine and agree with the board the framework or broad policy for the remuneration of the Company's chairman, chief executive officer, the other executive directors, any members of the Group's executive committee (each a "senior executive") and any persons connected (within the meaning of section 346 of the Companies Act 1985) to any of them (each a "connected person"). For the purposes of these terms of reference, "remuneration" includes salary, bonus,

performance-related payments, discretionary payments, pension contributions, share options, benefits in kind and all terms and conditions of employment and fees paid to a company which makes available the services of a director. In determining such policy, the Committee shall take into account all factors which it deems necessary. The objective of such 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;

- 8.1.2 review the ongoing appropriateness and relevance of the remuneration policy;
- 8.1.3 approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes;
- 8.1.4 review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, other senior executives and connected persons and the performance targets to be used;
- 8.1.5 determine the policy for, and scope of, pension arrangements for each executive director, senior executive and connected person;
- 8.1.6 ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.1.7 within the terms of the agreed policy and in consultation with the chairman and/or chief executive officer as appropriate, determine the total individual remuneration package of each executive director, senior executive and connected person including bonuses, incentive payments and share options or other share awards. In determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- 8.1.8 to consider and recommend to the Board any action to be taken by the Group in any matter or dispute relating to the contract of employment of an executive director, senior executive or connected person or its terms;
- 8.1.9 to ensure that all provisions regarding disclosure of remuneration, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled;
- 8.1.10 to review and note annually the remuneration trends across the Group;
- 8.1.11 to oversee any major changes in the employee benefit structures throughout the Group;
- 8.1.12 to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and to obtain reliable, up-to-date information about remuneration in other companies; and
- 8.1.13 to consider such other matters as may be requested by the Board from time to time.

9. Remuneration of Chairman & Non-Executive Directors

- 9.1 A director shall not vote on his own remuneration, nor take part in any discussions thereon. Accordingly, the Board has resolved that:
- 9.1.1 the remuneration of non-executive directors will be determined by the chairman of the Board, after consultation with the executive directors; and
 - 9.1.2 the remuneration of the chairman of the Board will be determined by the non-executive directors, after consultation with the executive directors.

10. Reporting

- 10.1 The chairman of the Committee shall report formally to the Board on proceedings of the Committee after each meeting and on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.
- 10.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM.
- 10.4 The chairman of the Committee shall attend the AGM and shall answer questions, through the chairman of the Board, on the Committee's activities and its responsibilities.