

## Corporate Governance – Terms of Reference of the Remuneration Committee

### 1. Membership

- 1.1. The members of the Committee shall be appointed by the board of directors of the Company (the “Board”) from amongst the directors of the Company and shall consist of not less than 2 members. The members shall be non-executive directors of the Company who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In accordance with the provisions of the Combined Code of Principles of Good Governance and Code of Best Practice, known as the Combined Code the members of the Committee will be listed each year in the Board’s remuneration report to shareholders.
- 1.2. The quorum for decisions of the Committee shall be any 2 members.
- 1.3. The chairman of the Committee shall be non-executive director as the Committee shall elect.

### 2. Conduct of business

- 2.1. All non-executive directors shall normally attend meetings of the Committee. The Committee should consult the chief executive about the proposals relating to the remuneration of other executive directors.
- 2.2. The Company shall, at the request of the Committee, provide the services of a secretary to the Committee.
- 2.3. Meetings of the Committee shall be held as and when appropriate but at least twice annually.
- 2.4. Any member of the Committee may request a meeting if he or she considers one is necessary and may request the attendance of any professional advisers to the Company.
- 2.5. The secretary shall circulate the minutes of the Committee’s meetings to all members of the Board.

## 3. Purpose

The purpose of the Committee is to:

- a) Provide the packages needed to attract, retain and motivate executive directors of the quality required but to avoid paying more than is necessary for this purpose;
- b) Ensure that the executive directors and other senior executives are fairly rewarded for their individual contribution to the overall performance of the Company;
- c) Demonstrate to the shareholders that the remuneration of the executive directors is set by a committee of the Board whose members have no personal interest in the outcome of the decisions of that committee and who will have due regard to the interests of the shareholders;
- d) Assist the Board in applying the principles of Section B of the Combined Code;
- e) Make recommendations to the Board on the Company's framework of executive remuneration and its costs;
- f) Ensure that the Company complies with Listing Rule 12.43(c) (which requires the Board to provide a report to shareholders dealing with various aspects of corporate governance) as if that Listing Rule applied to a company whose shares are traded on AIM; and
- g) Assist the Board in drafting the remuneration report in accordance with Schedule B to the Combined Code.

## 4. Duties

Without prejudice to the generality of the terms of the Committee set out above, the Committee shall:

- a) Review and make recommendations in relation to the terms of executive directors' service agreement and any proposed changes;
  - b) In reviewing specific remuneration packages for executive directors, consider basic salary, any benefits in kind, any annual bonuses, participation in any long-term incentive plans and any pension entitlements;
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- c) Having regard to schedule A to the Combined Code, provide recommendations to the Board on the performance related formulae relevant to the remuneration of the directors of the Company and to consider the eligibility of directors for annual bonuses and benefits under any long-term incentive schemes;
- d) Consider what compensation commitments (including pension contributions), if any, would entail in the event of any termination (the Combined Code specifies that consideration should be given to the advantages of providing explicitly in the initial contract for such compensation commitments except in the case of removal for misconduct);
- e) Make recommendations in relation to the participation of directors in the Company's share option schemes:
  - i. The selection of those eligible directors and employees of the Company to whom options should be granted;
  - ii. The timing of any grant;
  - iii. The numbers of shares over which options are to be granted;
  - iv. The exercise price at which options are to be granted; and
  - v. The imposition of any objective condition which must be complied with before any option may be exercised;
- f) Liaise with the Board in relation to disclosure of details of remuneration, packages and structure;
- g) Consider other matters referred to the Committee by the Board; and
- h) Receive the Chairman's recommendations as to any of the above; and

In discharging its duties, the Committee shall have regard to the provisions of the Combined Code and to any published guidelines or recommendations regarding the remuneration of directors (in particular those published by the Association of British Insurers and National Association of Pension Funds) which the Committee considers appropriate.

## 5. Authority

The Board authorises the Committee:

- a) To investigate any matter within its terms of reference and seek any information it requires from any employee or director and all employees and directors are directed to co-operate with any such request by the Committee; and
- b) To obtain independent professional advice at the cost of the Company, in accordance with the Company's guidelines in effect from time to time; and
- c) To secure the attendance of independent professional advisers at Committee meetings with relevant experience and expertise if the Committee considers this necessary.