

Remuneration committee – terms of reference

1. Constitution

At a meeting held on 5th February 2004, the board of directors of Carclo plc resolved to establish a standing committee of the board without executive powers to be known as the remuneration committee, in accordance with these terms of reference which were adopted.
2. Membership
 - 2.1 The membership of the committee shall be appointed by the board by formal resolution from amongst the non-executive directors of the company and shall consist of a minimum of [three] members. A quorum shall be two members.
 - 2.2 The duties and responsibilities of a member of the remuneration committee are in addition to those set out for a member of the board of directors.
 - 2.3 The chairman of the committee shall be appointed by the board by formal resolution.
3. Attendance at meetings
 - 3.1 The committee may require the group's chief executive (and other executives) to attend its meetings for certain agenda items. No executive shall take part in decisions on his or her own remuneration.
 - 3.2 At the discretion of the chairman of this committee, outside professional advisors may be in attendance for certain agenda items.
 - 3.3 The company secretary shall be secretary to this committee.
4. Frequency of meetings
 - 4.1 The committee shall meet at least [twice] a year and as frequently as is required.
 - 4.2 The timing and agenda of meetings is the responsibility of the committee chairman, subject to the expressed wishes of committee members.
5. Authority
 - 5.1 The committee is authorised to require the provision of such information and access to such personnel, as it requires to discharge its responsibilities.
 - 5.2 The committee is authorised to take outside professional advice as appropriate in particular to make external comparisons.
6. Duties
 - 6.1 The committee's purpose is to ensure that the group directors and senior executives are fairly rewarded for their individual contributions to overall performance, and to demonstrate that the remuneration of senior executives is set by directors 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 needs of the group.
 - 6.2 The duties of the committee shall be to recommend to and advise the board on the remuneration (in all its forms) and associated matters of the directors and senior executives. This requires the committee to:
 - a) Determine appropriate remuneration in all its forms (including pension arrangements within the discretion of the company's scheme) of the group chairman,, directors, chief executive and senior executives, as defined from time to time. This will bear in mind differentials between levels of personnel and market relativities.
 - b) Ensure there is good succession planning and management development at senior executive levels, and to review specific development plans for the top executives in the group.
 - c) Measure the performance of key senior executives as a prelude to determining their annual remuneration, bonus rewards and award of long-term incentives.
 - d) See that, in exercising the rights to performance related compensation, benefits are related to the performance both of individuals and the group, and that they provide a long term incentive.
 - e) Ensure that the committee only makes recommendations which it can justify to shareholders and staff alike and that the criteria on which performance is measured can be clearly explained.
7. Reporting
 - 7.1 The committee makes recommendations to the group board which either approves them or, stating its reasons for not doing so, asks the committee to reconsider them.
 - 7.2 The chairman of the committee shall be available to answer members' questions at the annual general meeting.