

R.E.A. HOLDINGS PLC
TERMS OF REFERENCE OF THE AUDIT COMMITTEE
(Adopted pursuant to a resolution of the board dated 27 April 2005)

1. INTRODUCTION

The Combined Code on Corporate Governance (July 2003) (the "**Combined Code**") provides that "*the board should establish an audit committee...*".

Copies of the Combined Code and the Smith guidance on audit committees (which is attached to but does not form part of the Combined Code) (the "**Smith Guidance**"), should members of the Committee need to consult them, can be obtained from the company secretary.

These terms of reference set out the terms upon which the audit committee of the Board ("the Committee") is now appointed, the role to be performed by the Committee, and the authority delegated to the Committee by the Board. Such terms take effect from 27 April 2005 and shall be in substitution for the previous terms of reference of the Committee which shall be of no further effect.

2. TERMS OF REFERENCE TO BE MADE AVAILABLE

The Committee shall make available these terms of reference by causing them to be published on the Company's website and by providing copies of the terms upon written request.

3. MEMBERSHIP

3.1 The members of the Committee shall be appointed by the Board. The Committee shall be made up of at least two members. At least one member shall have recent and relevant financial experience.

3.2 A majority of members of the Committee shall be independent non-executive directors.

3.3 The Board shall appoint the Committee Chairman who shall be an independent non-executive director.

4. SECRETARY

The company secretary or its nominee shall act as the secretary of the Committee.

5. MEETINGS

5.1 **Frequency:** Meetings of the Committee shall be held as required.

5.2 **Right to attend:** No one other than the Committee chairman, the Committee members and the company secretary shall be entitled to be present at a meeting of the Committee but others may attend for all or any part of the meeting at the invitation of the Committee. The external auditors will be invited to attend meetings of the Committee at least once a year.

5.3 **Notice:** Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the chairman of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and, to the extent appropriate, any other person invited to attend no fewer than three working days prior to the date of the meeting.

- 5.4 **Quorum:** The quorum necessary for the transaction of business shall be two 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.
- 5.5 **Chairman:** In the absence of the appointed chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting. The chairman of the Committee shall have a casting vote on all matters in the event of an equality of votes.
- 5.6 **Minutes:** Minutes shall be prepared of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and of the Board.

6. **ANNUAL GENERAL MEETING**

The Chairman of the Committee shall endeavour to attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

7. **DUTIES**

In discharging the duties set out below, the members of the Committee shall have regard to the Main and Supporting Principles at C.1 to C.3 of the Combined Code and the related Combined Code Provisions; they may also choose to consult the Smith Guidance.

7.1 **Financial Reporting**

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- (b) The Committee shall review and challenge where necessary:
- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the view of the external auditor;
 - (iv) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - (v) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

7.2 **Internal Controls**

The Committee shall keep under review the effectiveness of the Company's internal controls.

7.3 **Whistleblowing**

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

7.4 **Internal Audit**

The Committee shall monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

7.5 **External Audit**

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- (b) oversee the relationship with the external auditor including (but not limited to):
 - (i) approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - (v) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (vi) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (c) procure that members of the Committee are available to meet regularly and informally with the external auditor as required and meet formally with the auditor at the reporting stage and, when requested by the auditor, without management present;
- (d) review the findings of the audit with the external auditor; this shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;

- (ii) any accounting and audit judgements; and
 - (iii) levels of errors identified during the audit.
- (e) develop and implement a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

7.6 Reporting Responsibilities

The Committee shall:

- (a) make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
- (b) when so required by the Board, make recommendations concerning the statements to be incorporated in the annual report of the Company identifying the membership of the Committee, the frequency of, and attendance by members at, Committee meetings over the course of the year and describing the work of the Committee in discharging its duties (including an explanation how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded).

7.7 Other Matters

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required and, to the extent that the Committee considers it appropriate, access to training lectures and courses
- (b) offer induction programmes to new members; and
- (c) give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate.

8. AUTHORITY

The Committee is authorised:

- (a) to seek any information it requires from any employee of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference when the Committee reasonably believes it necessary to do so; and
- (c) to call any member of staff to be questioned at a meeting of the Committee as and when required.

R.E.A. HOLDINGS PLC
TERMS OF REFERENCE OF THE NOMINATION COMMITTEE
(Adopted pursuant to a resolution of the board dated 27 April 2005)

1. INTRODUCTION

The Combined Code on Corporate Governance (July 2003) (the "**Combined Code**") provides that *"There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board" also "There should be a nomination committee which should lead the process for board appointments and make recommendations to the board"*.

A copy of the Combined Code, should members of the Committee need to consult it, can be obtained from the company secretary.

These terms of reference set out the terms upon which the nomination committee of the Board ("the Committee") is now appointed, the role to be performed by the Committee and the authority delegated to the Committee by the Board. Such terms take effect from 27 April 2005 and shall be in substitution for the previous terms of reference of the Committee which shall be of no further effect.

2. TERMS OF REFERENCE TO BE MADE AVAILABLE

The Committee shall make available these terms of reference by causing them to be published on the Company's website and by providing copies of the terms upon written request.

3. MEMBERSHIP

3.1 The members of the Committee shall be appointed by the Board and shall consist of at least two members.

3.2 A majority of members of the Committee shall be independent non-executive directors.

3.3 The Board shall appoint the chairman of the Committee who shall be either the chairman of the Board or an independent non-executive director.

3.4 If the person chosen as chairman of the Committee is the chairman of the Board, then he/she should not chair the Committee when it is dealing with the appointment of a successor to the chairmanship of the Board.

4. SECRETARY

The company secretary or its nominee shall act as the secretary of the Committee.

5. MEETINGS

5.1 **Frequency:** Meetings of the Committee shall be held as required.

5.2 **Right to attend:** No one other than the Committee chairman, the Committee members and the company secretary shall be entitled to be present at a meeting of the Committee but others may attend for all or any part of the meeting at the invitation of the Committee.

5.3 **Notice:** Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the chairman of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the

Committee and, to the extent appropriate, any other person invited to attend no fewer than three working days prior to the date of the meeting.

- 5.4 **Quorum:** The quorum necessary for the transaction of business of the Committee shall be two 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.
- 5.5 **Chairman:** In the absence of the appointed chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting. The chairman of the Committee shall have a casting vote on all matters in the event of an equality of votes.
- 5.6 **Minutes:** Minutes shall be prepared of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to the chairman of the Board and, once agreed, made available on request to other members of the Board, unless a conflict of interest exists.

6. **ANNUAL GENERAL MEETING**

The chairman of the Committee shall endeavour to attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

7. **DUTIES**

In carrying out the duties set out below, the Committee should keep in mind the Main Principle at A.4 of the Combined Code that "There should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board" as well as Code Provision A.4.1 which provides that "There should be a nomination committee which should lead the process for board appointments and make recommendations to the board".

- 7.1 The Committee shall:

As regards general:

- (a) make recommendations to the Board regarding, and lead the process for, Board appointments;
- (b) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and its areas of operations;

As regards appointments:

- (c) before an appointment is made, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- (d) be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; in identifying suitable candidates the Committee shall:
 - (i) consider whether open advertising or the services of external advisers would facilitate the search;
 - (ii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;

- (e) ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them and in terms of time commitment, committee service and involvement outside Board meetings, such letter to be made available for inspection by any person at the Company's registered office during normal business hours and at the Company's annual general meeting (for 15 minutes prior to, and during, the meeting);

As regards the appointment of the chairman of the Board:

- (f) for the appointment of chairman of the Board, (as regards whom it is particularly important that he/she have enough time to devote to the position) prepare a specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises
- (g) inform the Board of each candidate's other significant commitments (which appointments will, as respects a successful candidate, require disclosure in the annual report);
- (h) explain to the Board any proposed non compliance with the provisions of the Combined Code as respects the Code requirements that:
 - (i) no individual should be a chairman of more than one FTSE 100 company;
 - (ii) a chief executive should not (other than exceptionally) go on to be chairman of the same company; and
 - (iii) the chairman should, on appointment, meet the independence criteria set out in the Code;

7.2 When so requested by the Board, make recommendations concerning:

- (a) the statement required to be included in a separate section of the annual report of the Company (i) describing the activities of the Committee and (ii) describing the process used in relation to Board appointments, and providing an explanation if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or non-executive director; and
- (b) the statement required to be included in the annual report of the Company identifying the membership of the Committee, number of Committee meetings held and attendance of individual directors over the course of the year.

8. **AUTHORITY**

8.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.

8.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference which includes authorisation to employ the services of search consultants.

9. **ULTIMATE DECISIONS**

It is the job of the Committee to "lead the process for board appointments and make recommendations to the board". The Committee shall make whatever recommendations it deems appropriate on any area within its remit. All evaluations, reviews and decisions of the Committee made in respect of appointments to the Board shall be referred to the Board and shall take effect only upon approval thereof by resolution of the Board in accordance with the Company's articles of association.

R.E.A. HOLDINGS PLC
TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE
(Adopted pursuant to a resolution of the board dated 27 April 2005)

1. INTRODUCTION

The Combined Code on Corporate Governance (the "**Combined Code**") states that

"Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration".

It further provides that:

"The board should establish a remuneration committee ... [which] should make available its terms of reference, explaining its role and the authority delegated to it by the board".

A copy of the Combined Code, should members of the Committee need to consult it, can be obtained from the company secretary.

These terms of reference set out the terms upon which the remuneration committee of the Board ("the Committee") is now appointed, the role to be performed by the Committee, and the authority delegated to the Committee by the Board. Such terms take effect from 27 April 2005 and shall be in substitution for the previous terms of reference of the Committee which shall be of no further effect.

2. TERMS OF REFERENCE TO BE MADE AVAILABLE

The Committee shall make available these terms of reference by causing them to be published on the Company's website and by providing copies of the terms upon written request.

3. MEMBERSHIP

3.1 The members of the Committee shall be appointed by the Board. The Committee shall be made up of at least two members.

3.2 A majority of members of the Committee shall be independent non-executive directors.

3.3 The Board shall appoint the chairman of the Committee who shall be an independent non-executive director. The chairman of the Board shall not be eligible to be appointed as chairman of the Committee.

4. SECRETARY

The company secretary or its nominee shall act as the secretary of the Committee.

5. MEETINGS

5.1 **Frequency:** Meetings of the Committee shall be held as required.

5.2 **Right to attend:** No one other than the Committee chairman, the Committee members and the company secretary shall be entitled to be present at a meeting of the Committee but others may attend for all or any part of the meeting at the invitation of the Committee.

- 5.3 **Notice:** Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the chairman of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and, to the extent appropriate, any other person invited to attend no fewer than three working days prior to the date of the meeting.
- 5.4 **Quorum:** The quorum necessary for the transaction of business shall be two 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.
- 5.5 **Chairman:** In the absence of the appointed chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting. The chairman of the Committee shall have a casting vote on all matters in the event of an equality of votes.
- 5.6 **Minutes:** Minutes shall be prepared of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee.

6. **ANNUAL GENERAL MEETING**

The chairman of the Committee shall endeavour to attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

7. **DUTIES**

In discharging the duties set out below, the members of the Committee shall have regard to the Main and Supporting Principles at B.1 of the Combined Code and to the Combined Code Provisions on Remuneration (B.1.1 to B.1.2 inclusive, including schedule A to the Combined Code which contains provisions on the design of performance-related remuneration) and to the Combined Code Provisions on Directors' Service Contracts and Compensation (B.1.5 to B.1.6 inclusive).

- 7.1 The Committee shall:

As regards determining and monitoring policy on and setting levels of remuneration

- (a) have delegated responsibility for setting the total individual remuneration package of all executive directors and the chairman including, where appropriate, pension rights and any bonuses, incentive payments and share options or other share awards, provided that no member of the Committee shall be involved in any decisions as to his / her own remuneration (the remuneration of non-executive directors other than the Chairman shall be a matter for the Board itself);
- (b) recommend and monitor the level and structure of the remuneration of those members of senior management that the Board shall from time to time decide should be treated as falling within the ambit of the Committee;
- (c) set policy on executive remuneration with the objective of ensuring that levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and that incentives are provided as appropriate to encourage enhanced performance and to reward, in a fair and responsible manner, directors' individual contributions to the success of the Company;

- (d) consult with the Chairman about the Committee's proposals relating to the individual remuneration packages of other executive directors (and to the extent applicable senior managers);
- (e) monitor remuneration structures in other companies (with a view to determining where to position the Company remuneration levels relative to other companies;
- (f) in agreeing the policy for the level and make-up of remuneration, and in determining total remuneration packages and arrangements of executive directors and other senior managers, give due regard to the comments and recommendations of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance;

As regards early termination

- (g) determine the Company's policy in relation to compensation agreed to be paid to any executive director in connection with early termination of employment and, where appropriate, office as director;
- (h) 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;

As regards performance-related pay

- (i) approve the design of, and determine targets for, any performance-related pay schemes operated by the Company for executive directors and approve the total annual payments made under such schemes (provisions on the design of performance-related remuneration covering share option schemes, bonus schemes and long-term incentive schemes can be found at schedule A to the Combined Code and should be consulted when the Committee comes to design or review such schemes);
- (j) 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 and other senior management and the performance targets to be used;
- (k) ask the Board, when appropriate, to seek shareholder approval for all new long term incentive schemes (as defined in the Listing Rules) as well as any significant changes to existing schemes, save in the circumstances permitted by the Listing Rules;

As regards pension arrangements

- (l) determine the policy for and scope of pension arrangements for each executive director;

As regards reporting and disclosure

- (m) when so required by the Board make recommendations concerning:
 - (i) the statements and disclosures to be incorporated in an annual report on the Company's remuneration policy and procedures and practices, particularly with regard to the work of the Committee, which will form part of the Company's annual report and be put to shareholders for approval at the annual general meeting as required under the Directors' Remuneration Report Regulations 2002;

- (ii) the statement required to be included in the annual report of the Company identifying the membership of the Committee and the frequency of, and attendance by members at, Committee meetings over the course of the year;

As regards remuneration consultants

- (n) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms for any remuneration consultants who may be appointed to advise the Committee, at the Company's expense;
- (o) where remuneration consultants are appointed, make a statement available of whether they have any other connection with the Company; and

As regards general

- (p) to consider other matters as referred to the Committee by the Board.

8. AUTHORITY AND POWERS

- 8.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 8.2 The Committee is authorised to obtain, at the Company's expense, any outside legal or other professional advice on any matters within its terms of reference.