

**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.