

Remuneration and Nomination committee Terms of Reference

1. Purpose of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee will perform both remuneration and nomination functions.

The purpose of the remuneration function is:

- 1.1 to ensure that the executive directors are fairly rewarded for their individual contributions to the overall performance of the Company;
- 1.2 to determine all elements of the remuneration of the executive directors; and
- 1.3 to demonstrate to the Company's shareholders that the remuneration of the executive directors is set by a Board committee whose members have no personal interest in the outcome of the committee's decision and who will have appropriate regard to the interests of the shareholders.

The purpose of the nomination function is:

- 1.4 to provide for a formal, rigorous and transparent procedure for the appointment of new directors to the Board; and
- 1.5 to make recommendations to the Board on the proposed appointment of new directors to the Board so as to ensure that the Company is headed by an effective Board which is collectively responsible for the long term success of the Company.

2. Membership

2.1 Members of the committee shall be appointed by the Board, on the recommendation of the nomination committee and in consultation with the chairman of the remuneration committee. The Committee shall comprise at least two members, each of whom shall be appointed by the Board.

2.2 The chairman of the Board may also serve on the committee as an additional member if he or she was considered independent on appointment as chairman.

2.3 The majority of members of the Committee shall be non-executive directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.

2.4 Only members of the Committee have the right to attend Committee meetings.

However, other individuals such as the chief executive and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

2.5 The Board shall appoint the Committee Chairman and determine the period for which he shall hold office subject always to the requirement that the directors meet the criteria for membership to the Committee.

2.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director still meets the criteria for membership of the Committee.

2.7 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Where possible, the Chairman and members of the Committee should be rotated on a regular basis.

3. Secretary

3.1 The Company Secretary or its nominee shall act as the Secretary of the Committee save when he or she is a subject of a meeting in which case that person shall absent themselves

from the Committee during discussion of that matter and another member of the Committee shall act as secretary.

4. Quorum

4.1 The quorum necessary for the transaction of business shall be two members present in person or by telephone. 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. Meetings

5.1 The Committee shall meet at least once a year and at such other times as the Chairman of the Committee shall require.

6. Notice of Meetings

6.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any director.

6.2 Unless otherwise agreed, notice of each meeting 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 fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6.3 The Chief Executive and any other subject matter experts shall have the right to address any meeting of the Committee; others may be called upon or shall be able to speak by prior arrangement with the Chairman of the Committee.

7. Minutes of Meetings

7.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance and, once agreed, to all members of the Board, unless a conflict of interest exists.

7.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to all members of the Board.

8. Annual General Meeting

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

9. Duties in respect of remuneration

The Committee shall:

9.1 determine and agree with the Board the framework or broad policy for the Remuneration of the Chairman of the Company, the Chief Executive, the Executive Directors and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the executive members of the Board. No director or manager shall be involved in any decisions as to his or her own remuneration. In order to assure his independence, the Committee will also review and recommend to the Board the remuneration of the Company Secretary;

9.2 in determining such policy, 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 Company 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 Company.

9.3 review the ongoing appropriateness and relevance of the remuneration policy.

9.4 approve the design of, and determine targets for any performance related pay schemes operated by the Company and ask the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements and annual payments made under such schemes;

9.5 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 executives and the performance targets to be used

9.6 within the terms of the agreed policy, determine the total individual remuneration package of each executive director and employee set out in clause 10.1 including, where appropriate, bonuses, incentive payments and share options or other share awards;

9.7 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.

9.8 determine the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments for each executive director and employee set out in clause 10.1;

9.9 in determining such packages and arrangements, give due regard to the comments and recommendations of the UK Corporate Governance Code as well as the AIM Rules for Companies and the AIM Rules for Nominated Advisers and associated guidance;

9.10 review competitor companies but ensure that automatic increases are not implemented, thereby avoiding the “ratchet” effect;

9.11 be aware of and oversee any major changes in employee benefit structures throughout the company or group;

9.12 vet and authorise the procedures for reimbursement of any claims for expenses from the Chief Executive and Chairman of the Company;

9.13 ensure that provisions regarding disclosure of remuneration including pensions, as listed in Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)), are fulfilled;

9.14 produce an annual report of the Committee’s remuneration policy; and

9.15 oversee and review all aspects of any share option scheme operated by or to be established by the Company, including but not limited to (subject always to the scheme rules and any applicable legal or AIM requirements):

9.15.1 the selection of the eligible directors and other employees to whom options should be granted;

9.15.2 the timing of any grant;

9.15.3 the numbers of shares over which options are to be granted;

9.15.4 the exercise price at which options are to be granted; and

9.15.5 the imposition of any objective condition which must be complied with before any option may be exercised.

9.16 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

9.17 obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys that it deems necessary to help it fulfil its obligations.

10. Duties in respect of nominations

The Committee shall, in respect of directors:

10.1 regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes.

10.2 give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future.

10.3 be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

10.4 before any appointment is made by the Board, 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. In identifying suitable candidates the Committee shall:

10.4.1 consider candidates from a wide range of backgrounds.

10.4.2 consider candidates on merit and against objective criteria, taking care to establish that appointees shall have enough time available to devote to the position.

10.5 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings. In respect of all staff, the Committee shall:

10.6 where the full-time equivalent annual salary for a post exceeds £60,000 agree to the:

10.6.1 creation of any new or additional post or recruitment to an existing post.

10.6.2 the job description for that post.

10.6.3 remuneration package for that post.

10.6.4 choice of candidate to fill the post.

10.7 where it is proposed to use a recruitment agency or consultant, agree to the terms and conditions of hire of that agency or consultant The Committee shall also make recommendations to the Board concerning:

10.8 formulating plans for succession for both executive and non-executive directors and in particular for the key roles of chairman and chief executive.

10.9 membership of any Board sub-committee, in consultation with the chairmen of such committees.

10.10 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

10.11 the re-election by shareholders of any director under the 'retirement by rotation' provisions in the Company's articles of association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

10.12 any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract.

10.13 the appointment of any director to executive or other office within the company or another organisation.

11. Reporting responsibilities

11.1 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 The Committee shall produce an annual report of the Company's remuneration policy and practices that will form part of the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM.

12. Other

12.1 The Committee shall, at suitable intervals, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

13. Authority

13.1 The Committee is authorised by the Board to seek any information it requires, if necessary in confidence, from any employee of the Company in order to perform its duties.

13.2 In connection with its duties, the Committee is authorised by the Board, at the Company's expense:

13.2.1 to obtain any outside legal or other professional advice so long as this is at reasonable cost.

13.2.2 within any budgetary restraints imposed by the Board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.

13.3 Although the Committee can seek the advice and assistance of any of the Company's executives, it needs to ensure that this role is clearly separated from their role within the business.