



TERMS OF REFERENCE OF THE REMUNERATIONS COMMITTEE (“The Committee”)

1. Authority

- 1.1 The Committee is authorised to investigate and undertake any activity within these terms of reference. It is authorised to seek any information it properly requires from any employee of the Company or of any subsidiary company. All employees will be directed by the directors of the Company to co-operate with any request made by the Committee.
- 1.2 If the Committee considers it necessary so to do it is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend at meetings of the Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits as authorised by the Board.
- 1.3 The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

2. Duties

- 2.1 to consider and determine all elements of the remuneration of all executive directors of the Company including the Chairman, Chief Executive, and Chief Financial Officer and of the Heads of the major operating subsidiaries or business units of the Company (“Executive Group”) as defined by the Chief Executive, including:
 - o base salary
 - o performance-related payments (including profit-sharing schemes)
 - o discretionary payments
 - o determining the policy for and scope of pension arrangements for each executive director
 - o benefits in kind
 - o share options and their equivalents and
 - o any compensation payments
- 2.2 in determining such packages and arrangements, give due regard to the contents of the Combined Code on Corporate Governance (with particular reference to Section B and to the provisions in Schedule A of the Code (attached hereto)) as well as the UK Listing Authority's Listing Rules and associated guidance;
- 2.3 to determine targets for any performance-related pay schemes operated by the Company;
- 2.4 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;



- 2.5 to consider and determine other provisions of the service agreements of the Executive Group (in particular the term and any notice period);
- 2.6 to administer all aspects of any share incentive scheme operated by or to be established by the Company including but not limited to (subject always to the rules of that scheme and any applicable legal and stock exchange requirements):
 - 2.6.1 the selection of those eligible directors and employees of the Company and its subsidiary companies to whom share awards and/or options should be granted;
 - 2.6.2 the timing of any grant;
 - 2.6.3 the numbers of shares over which awards and/or options are to be granted;
 - 2.6.4 the exercise price at which options are to be granted;
- 2.7 ensure that provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code, or otherwise as required by law, are fulfilled;
- 2.8 report the frequency of, and attendance by members at, Committee meetings in the annual report;
- 2.9 make available the Committee's terms of reference; and,
- 2.10 to consider any other matters as may be requested by the directors of the Company related to the function of the Committee.

3. Membership

- 3.1 Current membership and attendance of the Committee comprises:

Willy R Strothotte (Chairman) –non-executive
David Rough – independent non-executive
Paul Hazen– independent non-executive

Attending by invitation
Mick Davis

- 3.2 The Committee shall consist exclusively of non-executive directors of the Company and a majority of members of the Committee should also be independent non-executive directors of the Company.
- 3.3 Membership of the Committee shall comprise not less than 3 such directors.
- 3.4 Appointments to membership of the Committee will be made by the Board.



4. Meetings

- 4.1 The Committee shall meet at least twice in each calendar year at the times and in the locations agreed by the members.
- 4.2 Any member of the Committee may at any time convene a meeting of the Committee.
- 4.3 The quorum for meetings will be two of which one must be the Chairman.
- 4.4 Subject as provided in paragraph 4.5, any director of the Company shall have the right to attend and speak but not to vote at any meeting of the Committee.
- 4.5 No executive director of the Company shall participate at a meeting of the Committee (or during the relevant part) at which any part of his remuneration is being discussed or participate in any recommendation or decision concerning his remuneration.
- 4.6 The Committee's proceedings will be recorded in minutes of meeting, provision for which will be arranged by the Committee Chairman.



July 2003

The Combined Code

Schedule A: Provisions on the design of performance related remuneration

1. The remuneration committee should consider whether the directors should be eligible for annual bonuses. If so, performance conditions should be relevant, stretching and designed to enhance shareholder value. Upper limits should be set and disclosed. There may be a case for part payment in shares to be held for a significant period.
2. The remuneration committee should consider whether the directors should be eligible for benefits under long-term incentive schemes. Traditional share option schemes should be weighed against other kinds of long-term incentive scheme. In normal circumstances, shares granted or other forms of deferred remuneration should not vest, and options should not be exercisable, in less than three years. Directors should be encouraged to hold their shares for a further period after vesting or exercise, subject to the need to finance any costs of acquisition and associated tax liabilities.
3. Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace any existing schemes or at least form part of a well considered overall plan, incorporating existing schemes. The total rewards potentially available should not be excessive.
4. Payouts or grants under all incentive schemes, including new grants under existing share option schemes, should be subject to challenging performance criteria reflecting the company's objectives. Consideration should be given to criteria which reflect the company's performance relative to a group of comparator companies in some key variables such as total shareholder return.
5. Grants under executive share option and other long-term incentive schemes should normally be phased rather than awarded in one large block.
6. In general, only basic salary should be pensionable.
7. The remuneration committee should consider the pension consequences and associated costs to the company of basic salary increases and any other changes in pensionable remuneration, especially for directors close to retirement.