

## LMS CAPITAL PLC

### TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

(Approved at a meeting of the board of directors held on 11 April 2006)

#### Constitution

1. It is resolved that a committee of the board be established, to be known as the remuneration committee.

#### Membership and Secretary

2. **Composition** The remuneration committee members shall be appointed by the board on the recommendation of the nomination committee in consultation with the chairman of the remuneration committee. The appointments shall be made in accordance with the Company's articles of association. The committee shall comprise a minimum of two members, at least two of whom shall be independent non-executive directors. The first members of the remuneration committee shall be Richard Christou, John Barnsley and Bernard Duroc-Danner.
3. **Committee refreshment** Each member shall hold office as a committee member for a period of up to three years, which may be extended by no more than two additional three-year periods, provided at least two members remain independent.
4. **Chairman** The chairman of the remuneration committee shall be appointed by the board on the recommendation of the nomination committee and shall be Richard Christou at the date of approval of these terms of reference. In the absence of the chairman of the remuneration committee, the members present at any meeting of the committee should elect one of their number to chair the meeting. The chairman of the board shall not be chairman of the committee.
5. **Secretary** The company secretary or his or her nominee shall be the secretary of the remuneration committee.

6. **Disclosure of interests** Each member of the remuneration committee shall disclose to the remuneration committee:

- (a) any personal financial interest (other than as a shareholder of the Company) in any matter to be decided by the remuneration committee; and
- (b) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the remuneration committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the board) shall resign from the remuneration committee.

### **Meetings**

7. **Attendance** No one other than the remuneration committee chairman and members of the remuneration committee is entitled to be present at a meeting of the remuneration committee. The remuneration committee chairman and members shall, however, have the discretion to decide who else shall be invited to attend. The chairman of the Company and/or chief executive officer shall ordinarily be invited by the remuneration committee to attend meetings to discuss the performance of the other executive directors and to make proposals as necessary. The remuneration committee may consult the other non-executive directors in its evaluation of the chief executive officer. No director shall be present when his own remuneration is being discussed. No director shall be involved in any decision as to his own remuneration.

8. **Frequency** A meeting of the remuneration committee may be called by any member of the remuneration committee or by the secretary, but in any event a meeting shall be held at least twice a year.

9. **Quorum** The quorum for meetings of the remuneration committee shall be two members present throughout the meeting. A member may participate in a remuneration committee meeting by telephone and be counted in the quorum.

10. **Notice** Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded to each member of the remuneration committee and to each other person invited to attend (if appropriate), in a timely manner to enable full and proper consideration to be given to the issues.
11. **Duration** Sufficient time should be allowed to enable the remuneration committee to undertake as full a discussion as may be required.
12. **Minutes** The secretary shall prepare minutes of any meeting of the remuneration committee and shall promptly circulate them to all members of the committee and any invited attendees, if appropriate, and, after approval and signature by the chairman of the remuneration committee, make them available to all other members of the board, unless a conflict of interest exists.

#### **Authorities**

13. **Resources** The remuneration committee should be provided with sufficient resources to undertake its duties.
14. **Advice** The remuneration committee is authorised by the board to obtain internal and external legal or other professional advice, including the advice of independent remuneration consultants, as well as information about remuneration practices elsewhere. The remuneration committee may, if it thinks fit, supply to others information about the Company's remuneration practices and secure the attendance at meetings of outsiders with relevant experience and expertise, at the Company's expense.
15. **Support** The remuneration committee shall have access to the services of the secretary on all remuneration committee matters, including (but not limited to) assisting the chairman in planning the remuneration committee's work, drawing up meeting agendas, preparation and maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.

16. **Investigation** The remuneration committee is authorised to investigate any activity within its terms of reference.
17. **Information** The remuneration committee is authorised to seek any information it requires from any employee of the Company or any of its subsidiaries in order to perform its duties. All employees are directed to co-operate with any request made by the remuneration committee.
18. **Reports** The remuneration committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations

### **Duties and responsibilities**

19. The remuneration committee shall:
  - (a) **Remuneration policy** determine and agree with the board the Company's framework or broad policy for the remuneration of the chief executive officer, the chairman of the Company and such other members of the executive management as determined by the board from time to time;
  - (b) **The Combined Code** in determining the remuneration policy, take into account all factors which it deems necessary and give full consideration to the matters set out in Code provision B (headed "Remuneration") of, and Schedule A to, the Combined Code;
  - (c) **Review policy** review the ongoing appropriateness and relevance of the remuneration policy;
  - (d) **Pension arrangements** determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
  - (e) **Contractual terms** ensure that contractual terms on termination (and any payments made) are fair to the individual and to the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

- (f) **Individual remuneration** within the terms of the agreed policy and in consultation with the chairman and/or chief executive officer as appropriate, determine the total individual remuneration package of the chairman, each executive director and other senior executives including, where appropriate, bonuses, incentive payments and share options or other share awards. Due regard shall be given to any relevant legal requirements, the provisions and recommendations in the Combined Code, the AIM Rules and other relevant guidance;
- (g) **Senior management** recommend and monitor the level and structure of remuneration for senior management to ensure that it is consistent with the agreed executive remuneration policy;
- (h) **Remuneration trends** review annually the remuneration trends across the group;
- (i) **Directors' expenses** agree the policy for authorising claims for expenses from the chief executive officer and chairman
- (j) **Bonus and share incentive plans** in relation to any cash bonus and equity incentive plans proposed to be adopted by the Company with the approval of the remuneration committee (the **Plans**):
  - (i) determine policy for the grant of awards/options to executive directors and senior executives of the Company, to ensure that they are provided with appropriate incentives consistent with the Company's policy as stated in the directors' remuneration report for the Company's last audited financial year;
  - (ii) approve all and any awards/options including the total annual payments to executive directors and senior executives, including consideration of the quantum of grants and vesting schedules;
  - (iii) set appropriate performance targets in connection with the awards and options;

- (iv) determine whether such performance targets have been satisfied;
  - (v) approve any amendments to the Plans; and
  - (vi) exercise any discretion specified in the rules of the Plans and generally oversee the administration of Plans offered to executive directors and/or other senior executives;
- (k) **New equity plans** review and approve the terms of any new equity plans for executive directors and/or senior executives;
- (l) **Employee benefit structures** advise on any major changes in employee benefit structures throughout the group which relate to executive directors and senior executives;
- (m) **Service contracts** review and agree a standard form of contract for the executive directors;
- (n) **Liaison** liaise with the nomination committee to ensure that the remuneration packages of newly appointed executive directors are within the Company's overall policy;
- (o) **Remuneration consultants** be exclusively responsible for establishing the selection criteria and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee; and to obtain reliable, up-to-date information about remuneration in other companies. The terms of reference of such consultants together with a statement of whether they have any other connection with the Company, will be made available on request and will be placed on the Company's website;
- (p) **Terms of reference** make available these terms of reference, explaining the committee's role and the authority delegated to it by the board, on request and by including the information on the Company's website;

- (q) **Disclosure** ensure that all provisions regarding disclosure of remuneration, including pensions, as set out in Schedule 7A of the Companies Act 1985 and the Combined Code are fulfilled;
- (r) **Committee review** The committee shall, at least once a year, review its own performance, composition and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the board for approval; and
- (s) **Other matters** to consider any other matters as referred to the remuneration committee by the board.

## Reporting

- 20. **The Board** The chairman of the remuneration committee shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 21. **Recommendations** The remuneration committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 21. **Annual report** The remuneration committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure that it is put to shareholders for approval at the annual general meeting of the Company.
- 22. **AGM** The chairman of the remuneration committee shall be available to answer questions about the committee's activities at the annual general meeting of the Company. All members of the remuneration committee shall also attend the annual general meeting.