

## LAMPRELL PLC (THE COMPANY)

### TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS (THE COMMITTEE)

ADOPTED BY THE BOARD ON 24<sup>TH</sup> SEPTEMBER 2008

#### Constitution

1. The Committee has been established by resolution of the board of directors of the Company (the *Board*) and is to be known as the Remuneration Committee. Its terms of reference replace the terms of reference of any pre-existing remuneration committee.

#### Membership

2. The Committee, for so long as the Company has only two independent non-executive directors, shall comprise two members and otherwise shall comprise not less than three members<sup>1</sup>, in each case appointed by the Board from amongst the independent non-executive directors of the Company. In addition, the Chairman of the Board may be a member of the Committee if he was considered independent on appointment. Any member (other than the Chairman of the Board) who is determined no longer to be independent shall resign from the Committee. The Committee Chairman shall be appointed by the Board. In the absence of the Committee Chairman, the members attending shall elect one of them to be Chairman for that meeting. The quorum for meetings of the Committee shall be two (not including the Chairman of the Board).

3. 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 that (with the exception of the Chairman of the Board) the members continue to be independent.

4. Appointments to the Committee shall be made by the Board on the recommendation of the Nomination Committee.

#### Secretary

5. The Company Secretary or his or her nominees shall act as the secretary of the Committee.

#### Meetings

6. The Committee shall meet at least twice a year at times as may be agreed by the members or more frequently as circumstances require.

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<sup>1</sup> Note that the Combined Code allows the remuneration committees of smaller companies (those who have not been within the FTSE 350 within the last year) to have only two members.

7. Subject as provided in Clauses 8 and 9, any director of the Company shall have the right, by invitation, to attend and speak but not to vote at any meeting of the Committee.

8. The Chairman of the Board shall not 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.

9. 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.

10. The Committee shall have access to the services of the Company's secretariat function on all Committee matters, including assisting the Committee Chairman in planning the Committee's work, drawing up meeting agendas, 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.

#### **Notice of Meetings**

11. Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.

12. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of the 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 later than two working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

#### **Reporting Responsibilities**

13. The secretary shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute them accordingly. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

14. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

15. The 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 each year that it is put to shareholders for approval.

16. The Committee shall bring to the attention of the Board and/or make appropriate recommendations to the Board concerning those matters that have been considered or reviewed by it at the meeting of the Board next following a meeting of the Committee.

17. The Committee Chairman shall attend the Annual General Meeting and shall be prepared to respond to any shareholder questions on the Committee's activities raised at that meeting.

### **Authority**

18. The Committee is authorised by the Board to:

- (a) investigate and undertake any activity within its terms of reference; and
- (b) seek any information it properly requires from any employee of the Company or of any subsidiary company in order to perform its duties and all employees are directed by the Board to co-operate with any request made by the Committee.

19. 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 meetings of the Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits authorised by the Board.

### **Duties**

20. The duties of the Committee shall be:

- (a) to determine the framework or broad policy for the remuneration of the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the other executive directors of the Company and the Company Secretary (the *Executive Group*), and to the extent that any of those roles are held by the same person, to reflect such concentration of roles in the remuneration policy;
- (b) to take into account all factors deemed necessary when determining the remuneration policy, the objective of which shall be to ensure that members of the Executive Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contributions to the success of the Company;
- (c) to review the ongoing appropriateness and relevance of the remuneration policy;
- (d) to monitor and recommend to the Board the remuneration of senior management below Board level;

- (e) to consider and determine all elements of the remuneration of the Executive Group, namely:
  - (i) base salary (the Committee shall also consider the pension consequences of basic salary increases);
  - (ii) bonuses and performance-related payments (including profit-sharing schemes);
  - (iii) discretionary payments;
  - (iv) pension contributions;
  - (v) benefits in kind; and
  - (vi) share options and their equivalents.

The remuneration of non-executive directors and employees who are not members of the Executive Group (including the operation of the Lamprell plc Free Share Plan) shall be a matter for the Chairman of the Board and the executive members of the Board;

- (f) in respect of any element of remuneration of the Executive Group which is performance-related, to formulate suitable performance-related criteria and monitor their operation;
- (g) to consider and determine other provisions of the service agreements of the Executive Group (in particular the term, any notice period and any compensation commitment on early termination);
- (h) to ensure that any compensation for termination is fair to both the Company and the individual, that the duty to mitigate is fully recognised and that failure is not rewarded;
- (i) to co-ordinate with the Nomination Committee in relation to the remuneration package to be offered to any new member of the Executive Group;
- (j) to agree the policy for authorising claims for expenses from the Chairman of the Board and Chief Executive Officer;
- (k) to have regard in the performance of the duties set out in this Clause 20 to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes (in particular the principles of good governance and code of best practice appended to the UK Listing Authority's Listing Rules (the **Combined Code**) and guidelines published by the Association of British Insurers, the Quoted Companies Alliance and the National Association of Pension Funds which the Committee considers relevant or appropriate);
- (l) to ensure that provisions regarding disclosure of information, including pensions, as set out in the Directors' Remuneration Report Regulations 2002

and the Combined Code, are fulfilled and to produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report;

- (m) to consider and make recommendations to the Board concerning disclosure of details of remuneration packages and structures in addition to those required by law or by the UK Listing Authority or the London Stock Exchange;
- (n) to be aware of and advise on any major changes in employee benefit structures throughout the Company or the Company's group;
- (o) to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and considering any other connection that they may have with the Company;
- (p) to consider any other matters as may be requested by the Board; and
- (q) to make available its terms of reference and review annually those terms of reference and its own effectiveness and recommend any necessary changes to the Board.

21. In relation to the above, the Committee shall at all times give due regard to published or other available information relating to pay, bonuses and other benefits of executives in companies which are comparable to the Company (the *Market Rate*).

22. The terms of reference of the Committee do not encompass decisions to employ or dismiss members of the Executive Group. The Committee does not have responsibility for nominations to the Board.