

DAVENHAM GROUP PLC
REMUNERATION COMMITTEE

TERMS OF REFERENCE

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1. PURPOSE

- 1.1 The purpose of the Committee is to establish a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors, as required by section B.2 of the Combined Code.

2. CONSTITUTION AND MEMBERSHIP

- 2.1 The Remuneration Committee has been established as a committee of the Board by resolution of the Board.
- 2.2 The members of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee. The Committee shall comprise at least two members, all of whom shall be independent non-executive Directors.
- 2.3 The chairman of the Committee shall be appointed by the Board. In the absence of the chairman of the Committee, the members present shall select one of their number present to chair the meeting. The Chairman of the Company shall not be eligible to be appointed as chairman of the Committee.
- 2.4 The Company Secretary shall act as the Secretary of the Committee. Where the Secretary is also an executive Director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without executive Directors being present.

3. ATTENDANCE

- 3.1 The Committee may request any relevant senior management to attend meetings of the Committee, either regularly or by invitation, but such invitees have no right of attendance.
- 3.2 The Chief Executive shall have the right to address any meeting of the Committee.

4. MEETINGS

- 4.1 The Committee will meet at least once each year, and at such other times as the Chairman of the Committee shall think fit.

4.2 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any member.

4.3 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda and all relevant papers, should normally be circulated to each member of the Committee, to any other person required to attend, and to all other non-executive directors, at least five working days prior to the date of the meeting.

4.4 The quorum for meetings of the Committee shall be two members.

5. **REPORTING**

5.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to all members of the Board.

5.2 The Committee shall make whatever recommendations to the Board that it deems appropriate in the context of the scope of its responsibilities.

5.3 The Committee shall prepare a report each year to be included in the Company's annual report and accounts.

5.4 The Chairman of the Committee should be present at the Company's annual general meeting to respond to questions on matters within the responsibility of the Committee.

6. **DUTIES**

6.1 The duties of the Committee are:

6.1.1 to determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive, all other executive directors, and such other members of the executive management as it is designated to consider with a base salary in excess of £80,000 p.a. The remuneration of non-executive directors shall be a matter for the Chairman and the Board. No director or manager shall be involved in any decisions as to his or her own remuneration. In order to ensure his or her independence, the Committee shall also review and recommend to the Board the remuneration of the Company Secretary.

- 6.1.2 to take into account all factors which the Committee deems necessary in determining the remuneration policy. The objective of the 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.
- 6.1.3 to liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy.
- 6.1.4 to determine targets for any performance related pay schemes operated by the Company and to ask the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements.
- 6.1.5 to determine the total individual remuneration package of each existing or proposed executive director or any other executive manager with a base salary of £80,000 p.a. including, where appropriate, bonuses, incentive payments and share options, ensuring that:
 - 6.1.5.1 remuneration packages are sufficient to attract, retain and motivate executive directors of the quality required, while avoiding paying more than is necessary for this purpose;
 - 6.1.5.2 performance-related elements of remuneration form a significant proportion of the total remuneration package, and are designed to align their interests with those of shareholders.
- 6.1.6 to review all proposals for equity-related incentive schemes for any members of staff.
- 6.1.7 to determine the policy for and scope of pension arrangements, for executive directors.
- 6.1.8 to ensure that contractual terms on termination and any payments made, are fair to the individual and the Company, ensuring that compensation commitments do not have the effect of rewarding poor performance and that the duty to mitigate loss is fully recognised, while dealing fairly with cases where departure is not due to poor performance.
- 6.1.9 to give due regard to the comments and recommendations of the Combined Code, the Listing Rules of the UK Listing Authority and associated guidance, in determining remuneration packages and arrangements.

- 6.1.10 to review and have regard to the conditions of service and remuneration levels of competitor companies, but not so as to cause remuneration to rise without a corresponding improvement in performance.
- 6.1.11 to be aware of and advise on any major changes in employee benefit structures throughout the Group.
- 6.1.12 to ensure that all relevant statutory and/or regulatory provisions (including the Directors Remuneration Report Regulations 2002) regarding disclosure of remuneration (including pensions) are fulfilled.
- 6.1.13 to be exclusively responsible for establishing the selection criteria, selecting, appointing and settling the terms of reference for any remuneration consultants who advise the Committee.

7. **AUTHORITY**

- 7.1 The Committee is authorised by the Board to investigate any activity or state of affairs within its terms of reference.
- 7.2 The Committee is authorised to seek any information it requires from any employees or officers. In seeking any advice or assistance from any of the Company's executives, to ensure that such role is clearly separated from the executive's role within the business.
- 7.3 The Committee is authorised to obtain, at the Company's expense, expert advice from the Company's auditors, professional advisers or otherwise, and to take independent professional advice and to require the attendance of outsiders with relevant experience and expertise if it considers it necessary.
- 7.4 The Committee is authorised to select, set the terms of reference and appoint remuneration consultants, at the Company's expense.

These terms of reference were adopted by resolution of the Board passed on 3rd May 2006.