

**MELROSE PLC**  
**(the “Company”)**

**REMUNERATION COMMITTEE**  
**(the “Committee”)**

**Composition and Terms of Reference**

- 1. Membership**
- 2. Secretary**
- 3. Quorum**
- 4. Meetings**
- 5. Notice of Meetings**
- 6. Minutes**
- 7. Annual General Meeting**
- 8. Duties**
- 9. Reporting responsibilities**
- 10. Other**
- 11. Authority**
- 12. Interpretation**

The Committee is established in accordance with article 101 of the Articles of Association of the Company.

**1. Membership**

- 1.1 Members of the Committee shall be appointed by the Board of the Company, on the recommendation of the Nomination Committee and in consultation with the chairman of the Remuneration Committee. The Committee shall comprise all the non-executive Directors.
- 1.2 The Committee will be chaired by Mr P K O Crosthwaite or, in his absence, such other non-executive Director of the Company as he shall nominate for that purpose.
- 1.3 The Chief Executive of the Company shall, upon the Committee’s request, prepare and deliver such reports and recommendations on Remuneration as the Committee may require
- 1.4 No one other than a Committee Member is entitled to attend meetings of the Remuneration Committee but others may attend by invitation of the Committee.

**2. Secretary**

The Secretary of the Committee shall be the Secretary of the Company.

3. **Quorum**

The quorum for meetings of the Committee shall be any two of its members from time to time.

4. **Meetings**

The Committee shall meet at least twice per year, and at such other times as the Chairman of the Committee shall require.

5. **Notice of Meetings**

5.1 Any of the Committee Members may request a meeting of the Committee if he considers it necessary, to be arranged by the Secretary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and any other person required to attend, generally no later than 5 working days before the date of the meeting.

6. **Minutes**

6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

6.2 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.

7. **Annual General Meeting**

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

8. **Duties**

The Committee shall:

8.1 consider and make recommendations to the Board of the Company on the framework or broad policy for the Remuneration of the Company's executive Directors, the Company Secretary and any other Senior Employee (as defined in paragraph 12 below). In doing so it shall take into account all factors which it deems appropriate. The Remuneration of the non-executive Directors shall be a matter for the Chairman and the executive Directors. No Director or Senior Employee shall be involved in any decisions as their own Remuneration;

- 8.2 ensure that the policy developed under paragraph 8.1 above shall have the objective of ensuring that executive Directors and Senior Employees of the Company are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the success of the Company;
- 8.3 review the ongoing appropriateness and relevance of the remuneration policy
- 8.4 approve the design of, and determine targets for, any performance related pay schemes (including bonus schemes) operated by the Company and approve the total annual payments made under such schemes;
- 8.5 review the design of all share incentive plans for approval by the Board and shareholders.
- 8.6 determine the policy for, and scope of, pension arrangements for each executive Director and other senior employees.
- 8.7 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.
- 8.8 within the terms of the agreed policy, and in consultation with the Company's chairman and/or chief executive, determine the terms of any service agreement to be entered into with any executive Director and the terms of appointment of any Senior Employee and determine the Remuneration of all executive Directors and other Senior Employees of the Company for recommendation to the Board.
- 8.9 in determining Remuneration, comply with the principles and provisions of the Combined Code on Directors' remuneration and the UK Listing Authority's Listing Rules and associated guidance and ensure that any other relevant legal requirements regarding disclosure of Remuneration are fulfilled;
- 8.10 review annually the remuneration trends across the Group.
- 8.11 oversee any major changes in remuneration throughout the Group.
- 8.12 agree the policy for authorising claims for business expenses from the executive Directors.
- 8.13 consider the pension consequences and associated costs to the Company of the basic salary increases and other changes in Remuneration,

- 8.14 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 8.15 obtain reliable up-to-date information about remuneration in other companies. Consider where to position the Company relative to other companies and to be aware what comparable companies are paying, taking account of relative performance and using such comparisons with caution;

## 9. **Reporting responsibilities**

- 9.1 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is considered to be required.
- 9.3 The Committee shall produce an annual report on 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 at the AGM of the Company.

## 10. **Other**

The Committee shall, at least once a year, 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.

## 11. **Authority**

The Committee is authorised by the Board to:

- 11.1 investigate any activity within its terms of reference;
- 11.2 obtain independent professional advice on any matter it considers appropriate to its terms of reference;
- 11.3 seek any information it requires from any employee of the Company or any of its subsidiaries from time to time (together '**Melrose Group**') to attend its meetings in order to provide any information that it might require in order to perform its duties; and
- 11.4 invite anyone that it considers to have relevant knowledge and experience to attend its meetings as necessary.

11.5 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

12. **Interpretation**

For the purposes of these Terms of Reference:

*“Remuneration”* shall mean the aggregate of salary, bonuses, benefits in kind, ex-gratia payments, commissions, pension contributions, allowances, participation in share options, profit sharing and other incentive remuneration schemes and any other benefit flowing to a person or anyone connected with him by reason of his employment, office or directorship in or of the Company or any company in the Melrose Group.

*“Senior Employee”* shall mean any senior employee of the Melrose Group who is not a Director and whose total expected Remuneration is in excess of £200,000 per annum

December 2007