

Remuneration Committee: Terms of Reference

(as approved by the Board of Directors of Wellstream Holdings PLC (the "Company") on 14 September 2007)



1. The Remuneration Committee comprises not less than three non-executive directors of the Company, to be selected by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Remuneration Committee, who are all independent in character and judgement and free from any relationships or circumstances which are likely to affect, or could appear to affect, the Committee member's judgement. The Board must regularly review the composition of the Remuneration Committee.
2. If any member of the Remuneration Committee is unable to act for any reason, the chairman of the Remuneration Committee may appoint any other independent non-executive director of the Company to act as his alternate.
3. The chairman of the Remuneration Committee shall be appointed by the Board. The chairman shall be an independent non-executive director and shall not be the chairman of the Company. In the absence of the chairman of the Remuneration Committee, the remaining members present shall elect one of their number to chair the meeting.
4. The Company secretary is the secretary of the Remuneration Committee.
5. The quorum for meetings of the Remuneration Committee is any two of its members.
6. No one other than a Committee Member is entitled to attend meetings of the Remuneration Committee but others may attend by invitation.
7. Meetings of the Remuneration Committee are to be held not less than twice a year. Any of the Committee members may request a meeting of the Remuneration Committee if he or she considers it necessary, to be arranged by the secretary.
8. No director, senior executive, or committee member shall participate in any discussion or decision of the Remuneration Committee on their own remuneration.
9. The Remuneration Committee is authorised by the Board:
 - 9.1 to investigate remuneration paid to directors of other companies of a similar size in a comparable industry sector in the UK;
 - 9.2 to obtain information it requires from of any employee of a group company in order to perform its duties and all employees are directed to cooperate with any requests made by the Remuneration Committee;

- 9.3 to obtain such legal or other independent professional advice as it deems necessary to fulfil its responsibilities, and to appoint external consultants in respect of executive directors' remuneration and to set their terms of reference;
 - 9.4 to obtain the advice and assistance of any of the Company's executives provided their role in providing such advice and assistance is clearly separated from their role within the business; and
 - 9.5 to secure the attendance of any person with relevant experience and expertise at committee meetings if it considers this appropriate.
10. The duties of the Remuneration Committee are:
- 10.1 to make recommendations to the Board on the Company's framework of remuneration (including benefits, pension arrangements and termination payments) for the executive management, the secretary and the chairman of the Board and its cost (the remuneration of non-executive directors shall be a matter for the chairman and the executive members of the Board);
 - 10.2 to evaluate the performance of the Chairman by seeking the views of the non-executive directors;
 - 10.3 to review the ongoing appropriateness and relevance of the remuneration policy;
 - 10.4 to determine on behalf of the Board specific remuneration packages for each of the executive directors and the Chairman of the Board and the Company Secretary, including pension rights and any compensation payments;
 - 10.5 in determining such packages and arrangements, to give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance and, where appropriate, requesting the Board to seek shareholder approval of all new long term incentive schemes;
 - 10.6 to consult the Company's chairman and/or chief executive about its proposals relating to the remuneration of the executive directors;
 - 10.7 to provide the packages needed to attract, retain and motivate executive directors of the quality required (but avoid paying more than is necessary for this purpose);
 - 10.8 to approve the terms/duration of any service agreement to be entered into with any executive director, bearing in mind that notice or contract periods should be set at one year or less (save that longer notice periods may be agreed for an initial period with a new executive director if the committee believes such longer notice period is necessary to secure the services of the proposed candidate, and provided that the agreed notice period does not exceed one year after the end of the initial period) and that the performance related elements of remuneration should form a significant proportion of the total remuneration

package of executive directors and should be designed to align their interests with those of the shareholders and to give such directors incentives to perform at the highest level;

- 10.9 to recommend and monitor all appointments, salary packages and the level and structure of remuneration to senior management who are defined as those staff whose salaries exceed £150,000 pa and all departmental heads regardless of salary;
- 10.10 to agree the policy for authorising claims for expenses from the chief executive and chairman of the Board;
- 10.11 to approve the design of, and to determine the awards and targets for, any schemes of performance related remuneration including the Performance Share Plan and, in designing such schemes, to follow the provisions in Schedule A to the Combined Code: Principles of Good Governance and Code of Best Practice, as published by the Financial Reporting Council;
- 10.12 to comply with the principles and provisions of the Combined Code on directors' remuneration and to ensure that the provisions of the Directors' Remuneration Report Regulations 2002 regarding disclosure of remuneration are fulfilled;
- 10.13 to consider whether the directors should be eligible for annual bonuses and, if so, to consider an upper limit for such bonuses [and to approve the annual objectives for the executive directors and to review their performance at financial year end against their objectives to determine if they are eligible to receive an annual bonus];
- 10.14 to consider whether the directors should be eligible for benefits under long-term incentive schemes and to weigh traditional share option schemes against other kinds of long-term incentive scheme;
- 10.15 to consider the pension consequences and associated costs to the Company of basic salary increases and other changes in remuneration, especially for directors close to retirement;
- 10.16 to 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 in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in performance;
- 10.17 to be sensitive to the wider scene, including pay and employment conditions elsewhere in the Group, especially when determining annual salary increases to be applied across all employees and those specifically falling within its remit;
- 10.18 to carefully consider what compensation commitments (including pension contributions and all other elements) the directors' service agreements, if any, would entail in the event of early termination;

- 10.19 in early termination cases where the initial contract does not explicitly provide for compensation commitments, to tailor its approach (within legal constraints) to the circumstances. The aim should be to avoid rewarding poor performance, while dealing fairly with cases where departure is not due to poor performance and to take a robust line on reducing compensation to reflect departing directors obligations to mitigate loss;
 - 10.20 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 to obtain reliable, up-to-date information about remuneration in other companies;
 - 10.21 to keep under review its own performance, constitution and terms of reference and to make the terms of reference available to the public; and
 - 10.22 to consider other matters as referred to the Remuneration Committee by the Board.
- 11. The Remuneration Committee shall produce an annual report of the Company's remuneration policy and practices, having regard to the relevant provisions of the Listing Rules and the Companies Act 1985, which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the Annual General Meeting.
 - 12. The Remuneration Committee's chairman should attend the Company's annual general meeting to be available to answer shareholders' questions.
 - 13. The secretary must circulate the minutes of meetings of the Remuneration Committee to all Remuneration Committee members and, once agreed, to all members of the Board, unless a conflict of interest exists.