

NICHOLS PLC ("Company")

REMUNERATION COMMITTEE: TERMS OF REFERENCE

Definitions

In these terms of reference:

"Board" means the board of directors of the Company;

"Committee" means the remuneration committee of the Board; and

"Group" means the Company and its subsidiary undertakings from time to time.

"Code" means the QCA Corporate Governance Code.

1. INTRODUCTION

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities. In performing its duties, the Committee will maintain effective working relationships with the Board, the Group's management and the external advisors. To perform his or her role effectively, each member of the Committee must be familiar with these terms of reference as well as the Group's business operations and risks.

2. MEMBERSHIP

- 2.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, in consultation with the chairman of the Committee.
- 2.2 At least two members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant experience, ideally sitting on another Remuneration Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, the external advisor, CEO and CFO will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or any part of any meeting as and when appropriate and necessary.
- 2.4 The Board shall appoint the chairman of the Committee. In the absence of the chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of their numbers to chair the meeting.

3. SECRETARY

The Company secretary or his/her nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. QUORUM

The quorum necessary for the transaction of business shall be two members.

5. FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least three times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.
- 5.2 Outside of the formal meeting programme, the chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Chief Executive Officer, the Chief Finance Officer, the People Director and external advisors.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members.
- 6.2 Unless otherwise agreed, notice of each meeting (confirming the venue, time and date, together with an agenda of 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 five 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.

7. MINUTES OF MEETINGS

- 7.1 The secretary of the Committee shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance, unless a conflict of interest exists.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless a conflict of interest exists or, in the opinion of the chairman of the Committee, it would otherwise be inappropriate to do so.

8. AGM

The chairman of the Committee shall attend the annual general meeting to answer shareholder questions on the Committee's activities.

9. DUTIES

The Committee shall carry out the duties below:

- 9.1 Determine and agree with the board the framework or broad policy for the remuneration of the Chief Executive Officer, and other executive Directors and such other members of the executive management as it is designated to consider. The board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits

set in the Articles of Association, otherwise, no director or manager shall be involved in any decisions as to his or her own remuneration.

- 9.2 Recommend and monitor the level and structure of remuneration for senior management.
- 9.3 In determining such policy take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the company and alignment to the company's long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the company.
- 9.4 When setting remuneration policy for directors, review and have regard to pay and employment conditions across the company or group, especially when determining annual salary increases.
- 9.5 Review the on-going appropriateness and relevance of the remuneration policy.
- 9.6 Ensure the remuneration policy encourages and rewards the right, behaviour, values and culture.
- 9.7 Within the terms of the agreed policy and in consultation with the chairman and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director, the company chairman and other designated senior executives including bonuses, incentive payments and share options or other share awards.
- 9.8 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the committee shall give consideration to such information and shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the company but within any budgetary restraints imposed by the board.
- 9.8 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.
- 9.10 Approve the design of, and determine targets for any performance-related pay schemes operated by the company and approve the total annual payments made under such schemes (in accordance with the provisions in of the Code).

- 9.11 Review the design of all share incentive plans for approval by the board, and shareholders, if required by relevant regulations. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other designated senior executives and the performance targets to be used.
- 9.12 Determine the policy for and scope of service agreements and pension arrangements for each executive director and other designated senior executives.
- 9.13 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.
- 9.14 Agree the policy for authorising claims for expenses from directors.
- 9.15 Work and liaise as necessary with all other board committees.

10. REPORTING RESPONSIBILITIES

- 10.1 The committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The committee shall produce a report of the company's remuneration policy and practices to be included in the company's annual report. If the committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company.
- 10.4 Through the chairman of the board, ensure that the company maintains contact as required with its principal shareholders about remuneration.

11. OTHER MATTERS

- 11.1 The Committee shall:
 - 11.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
 - 11.1.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - 11.1.3 give due consideration to laws and regulations, and the provisions of the AIM Rules for Companies, as appropriate;

11.1.4 oversee any investigation of activities which are within its terms of reference;

11.1.5 work and liaise as necessary with all other Board committees.