

# SALAMANDER ENERGY PLC

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

### Constitution

1. A 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 (the **Committee**).

### Membership

2. The Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company (other than the Chairman of the Board) and shall consist of not less than three members.

3. The Chairman of the Committee shall be appointed by the Board from the members of the Committee. In the absence of the Chairman of the Committee and/or an appointed deputy at any meeting, the remaining members present shall elect one of themselves to chair the meeting.

4. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, unless the Board otherwise determines and subject to the members' retirement by rotation, in accordance with the terms of the Company's Articles of Association, and the provisions of the Combined Code on Corporate Governance.

5. Each member of the Committee shall disclose to the Committee:

- (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
- (b) any potential conflict of interest arising from a cross-directorship,

and any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

6. The members of the Committee shall be identified in the directors' remuneration report.

### Secretary

7. The Company Secretary or a nominee thereof shall act as the secretary of the Committee.

### Quorum

8. A quorum shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **Attendance at meetings**

9. Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Chief Executive, the Chairman of the Board, the head of human resources and/or external advisers, may attend all or part of any meeting as and when appropriate at the invitation of the Chairman of the Committee.

10. Meetings may be held by telephone.

### **Frequency of meetings**

11. Meetings shall be held at least twice a year and at such other times as the Chairman of the Committee shall require.

12. Meetings shall be held in England.

### **Notice of meetings**

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

14. 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, prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

### **Authority**

15. The Committee is authorised by the Board to:

- (a) investigate any activity within its terms of reference;
- (b) seek any information that it requires from any employee and all employees shall be required to co-operate with any request made by the Committee;
- (c) obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its terms of reference; and
- (d) secure the attendance of outsiders with relevant experience and expertise if it considers that necessary.

### **Duties**

16. Having regard to the rules of the UK Financial Services Authority and the requirements of the Combined Code on Corporate Governance, the Committee shall do the following:

- (a) Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman, Chief Executive, executive directors, Company Secretary and such other members of the executive management as it may be designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive directors. No director or executive shall be involved in any decisions as to his own remuneration.

- (b) In determining such policy, take into account all factors which it deems necessary. The objective of such 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.
- (c) Review regularly the on-going appropriateness and relevance of the Company's remuneration policy.
- (d) Liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's remuneration policy.
- (e) Set and monitor performance criteria for any bonus arrangements operated by the Company and its group ensuring that they represent achievable and motivating rewards for appropriate levels of performance and, where appropriate, are justifiable taking into account the Company's and its group's overall performance and the corresponding return on shareholders' investment in the same period.
- (f) Approve the length and term of all service contracts for the Company's Chairman, executive directors, Company Secretary and other senior executives.
- (g) Recommend to the Board the policy for and scope of pension arrangements for the executive directors and other senior executives taking into account the future liabilities of any recommendation and to detail precisely which elements of the remuneration packages are pensionable.
- (h) In relation to the Company's share option and share award schemes (including any long-term co-investment plans):
  - (i) review and approve the introduction of any new schemes;
  - (ii) set or recommend performance criteria for share awards before share awards or options vest which are justifiable in terms of the Company's performance and return on shareholders' investment over the same period; and
  - (iii) approve proposed option grants or share awards to individual directors or senior executives.
- (i) In recommending rewards and benefits and long term and performance related incentives, take account of any relevant legal requirements, the provisions and recommendations of the Combined Code of Corporate Governance and in particular Schedule A thereto relating to the design of performance and related remuneration and associated guidance as well as the Listing Rules of the UK Financial Services Authority.
- (j) Within the terms of the agreed policy, determine the total individual remuneration package for the Company's Chairman, executive directors, Company Secretary and other senior executives including, where appropriate, bonuses, incentive payments and share options or other share awards.
- (k) Be aware of, advise on and oversee any major changes in employee benefit structures throughout the Company or its group.
- (l) Agree the policy for authorising claims for expenses from the Chairman and Chief Executive.

- (m) Ensure that the terms agreed in respect of termination of a director and senior executive, and payments made, are fair to the individual, and the Company, reasonable and not excessive, do not reward failure and recognise the duty to mitigate.
- (n) Ensure that provisions regarding disclosure of remuneration including pensions, as listed in the Directors' Remuneration Report Regulations 2002, and as required by the UK Companies Act 1985 are fulfilled.
- (o) Ensure that the Board maintains contact with its principal shareholders about its remuneration policy, practices and procedures.
- (p) Be exclusively responsible for establishing the criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

### **Reporting procedures**

2. The secretary of the Committee shall minute the proceedings and resolutions of all meetings as well as keep appropriate records and, once agreed, shall circulate the minutes of meetings of the Committee to all members of the Board.
3. The Chairman of the Committee shall bring to the attention of the Board and/or make appropriate recommendations to the Board concerning those matters which have been considered or reviewed by it at the meeting of the Board next following a meeting of the Committee.
4. The Committee's duties and activities during the year shall be disclosed in the Company's annual report and the terms of reference of the Committee, explaining its role and the authority delegated to it by the Board shall be made available on request and placed on the Company's website.
5. The Chairman of the Committee shall attend the AGM and shall be prepared to answer questions on the Committee's activities and its responsibilities.

### **Other**

6. The Committee members shall conduct an annual review of its own performance, constitution and these terms of reference and recommend to the Board any changes it considers necessary.