



ARC INTERNATIONAL PLC
REMUNERATION COMMITTEE

TERMS OF REFERENCE

Committee Members

Chairman – Steven Gunders
Richard Barfield

1. The Remuneration Committee shall determine, within the following terms of reference:
 - (i) the Company's policy on the remuneration of Executives of the Company and other senior executives to whom the Board has extended the remit of the Remuneration Committee ("Executives"); and
 - (ii) specific remuneration packages for each of the Executives including pension rights and compensation payments, including any that would arise in the event of early termination.
2. The Remuneration Committee shall at all times comply with requirements of the Combined Code: Principles of Good Governance and Code of Best Practice (the "Combined Code") as set out in the Listing Rules of the United Kingdom Listing Authority (the "Listing Rules").
3. In particular, but without limiting the generality of paragraphs 1 and 2, the Committee shall:
 - (i) determine on behalf of the board of directors of the Company (the "Board") and the shareholders of the Company (the "Shareholders") the Company's broad policy for the remuneration of Executives and the entire remuneration packages for each of the Executives;
 - (ii) in so doing, consider reliable up-to-date information about remuneration of Executives of other comparable companies, including other companies within the same group as the Company, and take account of relative performance and shall judge the implications carefully;
 - (iii) in so doing, endeavour to ensure that performance-related elements of remuneration form a significant proportion of the total remuneration package. Such performance-related elements should be determined in accordance with Schedule A of the Combined Code and attached hereto, and should be designed to

align the Executives' interests with those of shareholders. Executive share options should only be offered at a discount where permitted by paragraphs 13.30 and 13.31 of the Listing Rules, the text of which is set out at Annex I;

- (iv) consider all elements of remuneration including basic pay, cash bonuses, benefits in kind and share options. The Committee shall also consider notice periods and lengths of contracts. The Committee should also give guidance to the Executives in setting levels remuneration for the Company as a whole.
 - (v) report and account directly to Shareholders, on the Board's behalf, for their decisions. This will include the Committee Chairman attending the Annual General Meeting of the Company to answer questions about directors' remuneration and providing the Shareholders with a report on directors' remuneration. The report should set out the Company policy on Executives' remuneration, should follow the provisions in Schedule B of the Combined Code and form part of or be annexed to the Company's annual report and accounts. The Remuneration Committee should consider each year whether the circumstances are such that the Annual General Meeting of the Company should be invited to approve the policy set out in its annual report and shall invite the Shareholders specifically to approve all new long term incentive schemes (as defined in the Listing Rules) save in the circumstances permitted by paragraph 13.13A of the Listing Rules; and
 - (vi) be consulted about the appointment of independent advisors to advise the Company in relation to directors' remuneration. The Remuneration Committee may appoint its own independent advisors.
4. The Chairman and the members of the Remuneration Committee shall be appointed by the Board from amongst the non-Executives of the Company (the "Non-Executives"). Members of the Remuneration Committee shall have no personal financial interest other than as shareholders in the Company, no conflicts of interest arising from cross-directorships with directors of the Company and no day-to-day involvement in running the Company.
 5. The Remuneration Committee shall not decide upon the remuneration of the Non-Executives, which shall be decided upon by the Board in accordance with the limits set out in the articles of association of the Company.
 6. The Remuneration Committee shall consist of not less than two members. The quorum for meetings of the Remuneration Committee shall be two members. Membership of the Remuneration Committee shall be advised to the Shareholders in accordance with the Combined Code and the Listing Rules. Membership of the Remuneration Committee shall be notified on proxy cards relating to the election or re-election of members of the Remuneration Committee as directors of the Company.
 7. The Company's Chief Executive shall have the right to attend meetings of the Remuneration Committee to discuss the performance of the Executives and to make proposals as necessary but he/she shall not be a member of the Remuneration Committee and shall not be entitled to vote or otherwise influence the outcome of any decisions thereof.

ANNEX I

Discounted option arrangements

- 13.30 Subject to the provisions of paragraph 13.31, a listed company may not, without the prior approval by an ordinary resolution of the shareholders of the listed company in general meeting, grant to a director or employee of the issuer or of any subsidiary undertaking of the issuer an option to subscribe, warrant to subscribe or other similar right to subscribe for shares in the capital of the issuer or any of its subsidiary undertakings, if the price per share payable on the exercise of such an option, warrant or other similar right to subscribe is less than whichever of the following is used to calculate the exercise price:
- (a) the market value of the share on the date when the exercise price is determined;
 - (b) the market value of the share on the business day before such date; or
 - (c) the average of the market values for a number of dealing days within a period not exceeding 30 days immediately preceding such date.
- 13.31 The provisions of paragraph 13.30 do not apply to the grant of an option to subscribe, warrant to subscribe or other similar right to subscribe for shares in the capital of the issuer or any of its subsidiary undertakings:
- (a) under an employees' share scheme pursuant to the terms of which participation is offered on similar terms to all or substantially all employees of the issuer or any of its subsidiary undertakings whose employees are entitled to participate in the scheme; or
 - (b) following a take-over or reconstruction, in replacement for and on comparable terms with options to subscribe, warrants to subscribe or other similar rights to subscribe held immediately prior to the take-over or reconstruction in respect of shares in either a company of which the issuer thereby obtains control or in any of that company's subsidiary undertakings.