

ARMOUR GROUP PLC

Terms of reference

for the

Remuneration Committee

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Remuneration Committee (“Committee”)

These terms of reference were adopted by resolution of the Board of Armour Group plc (“Board”) passed on 25 June 2007 and supersede any terms of reference previously adopted.

1. Purpose of the Committee

- 1.1 The purpose of the Committee is to establish a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors.

2. Committee constitution and membership

- 2.1 The Committee has been established by resolution of the Board.
- 2.2 The Committee members shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than two members.
- 2.3 The chairman of the Committee shall be appointed by the Board. In the absence of the chairman of the Committee, the members present shall select one of their number present to chair the meeting.
- 2.4 The Company Secretary or such other person as shall be appointed by the chairman shall be the secretary of the Committee.

3. Committee meetings

- 3.1 The Committee shall hold a meeting at least once each year, which shall be convened by the secretary of the Committee.
- 3.2 Further Committee meetings shall be convened by the secretary of the Committee at the request of any member.
- 3.3 The quorum necessary for the transaction of the business of the Committee shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all of any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.4 Decisions of the Committee will be made by majority vote. In the event of an equality of votes the chairman of the Committee will have a second or casting vote.
- 3.5 The Committee may request the Chairman of the Company, Chief Executive, Group Finance Director and any relevant senior management to attend meetings of the Committee.
- 3.6 Only members of the Committee and the Chief Executive Officer have the right to address any meeting of the Committee.

4. **Committee Authority**

- 4.1 The Committee is authorised by the Board to investigate any activity within its terms of reference.
- 4.2 The Committee is authorised by the Board to seek any information it requires from any employee or officer.
- 4.3 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of external independent professional advisers at its meetings if it considers this necessary.
- 4.4 The Committee is authorised by the Board, at the Company's expense, to select, set the terms of reference and appoint remuneration consultants as it considers necessary.

5. **Duties of the Committee**

- 5.1 The Committee's duties do not extend to the remuneration of non-executive directors which shall be a matter for the executive members of the Board.
- 5.2 The duties of the Committee shall be:
 - 5.3 To recommend and agree with the Board the basis for the remuneration of all executive directors, the Company Secretary and other members of senior management as required by the Board.
 - 5.4 To ensure that no executive Director or other member of senior management shall be involved in any decisions as to his or her own remuneration.
 - 5.5 To evaluate the remuneration packages of each executive director or other member of senior management including, where appropriate, bonuses, incentive payments, pensions and share options, such that:
 - 5.5.1 Remuneration packages are sufficient to attract, retain and motivate executive directors of the quality required, while avoiding paying more than is necessary for this purpose; and
 - 5.5.2 Performance-related elements of remuneration form a significant proportion of the total remuneration package, and are designed to align their interests with those of shareholders.
 - 5.5.3 Where necessary, shareholder approval is obtained for targets associated with performance related pay schemes or any other long term incentive plans.
 - 5.6 To determine the policy for and scope of pension arrangements, for executive directors
 - 5.7 To ensure that contractual terms on termination and any payments made, are fair to the individual and the Company, ensuring that compensation

commitments do not have the effect of rewarding poor performance and that the duty to mitigate loss is fully recognized, while dealing fairly with cases where departure is not due to poor performance.

- 5.8 To give due regard to the comments and recommendations of the Combined Code, the AIM Rules and associated guidance, in determining remuneration packages and arrangements.
- 5.9 To review the relevant reports and disclosures in Company's annual report and accounts, and make recommendations to the Board on these and any other matter as appropriate in the context of the scope of its responsibilities.
- 5.10 To judge remuneration and conditions of employment relative to other similar companies.
- 5.11 To be aware of and advise on any major changes in employee benefit structures throughout the Group.
- 5.12 To select, appoint and set the terms of reference for any remuneration consultants required to advise the Committee.
- 5.13 To co-ordinate their activities with the Nomination Committee in regard to recommendations for new appointments.
- 5.14 To review the relevant reports and disclosures contained in the Company's annual report and accounts, and make recommendations to the Board as appropriate.

6. Records and other matters

- 6.1 The secretary shall keep minutes of all resolutions and proceedings of the Committee and shall circulate these minutes to all members of the Committee and to the Board. The minutes shall be made available to the external auditors.
- 6.2 The chairman of the Committee should be present at the Company's annual general meeting to respond to questions on matters within the responsibility of the Committee.