

**LAVENDON GROUP PLC**  
**(the “Company”)**

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

1. The terms of reference to the remuneration committee are as set out below.
2. The remuneration committee is to consist of Jan Astrand (Chairman) and/or any other non-executive directors appointed from time to time pursuant to the articles of association of the Company. A quorum shall be two members.
3. The chairman of the remuneration committee itself shall be appointed by the board from time to time and he shall chair meetings of the remuneration committee at which he is present. Where such chairman is not present at a particular meeting, the committee shall appoint one of their number present to chair that meeting. The chairman of any such meeting shall have a casting vote on all matters.

In addition to attendance at meetings by the non-executive director Committee members, the chairman and/or chief executive should be invited to attend meetings to discuss the proposals of the Committee relating to the remuneration of other executive directors. They shall not be entitled to vote.

4. The remuneration committee is to have the following powers, authorities and instructions, namely:
  - a) to make recommendations to the Board of the Company's framework of executive remuneration and its costs and to determine on behalf of the Board specific remuneration packages for each of the executive directors (including pension rights and compensation payments); and
  - b) to act as the sole body instructed and authorised to exercise any power or discretion vested in the board of directors of the Company under any share option or incentive schemes of whatever nature established for the benefit of all or any executive directors of the Lavendon Group and any other employees required by the board;
  - c) the approval of any contract of employment within the Lavendon Group which (i) has an original term of one year or more taking into account any period of notice required to terminate such contract or (ii) requires more than 6 months' notice to determine it;
  - d) the approval of any contract of employment or the revision of any existing contract of employment within the Lavendon Group where the total remuneration and benefits payable to the employee in respect of salary, including guaranteed bonus would exceed £80,000 (or its equivalent) per annum or the gross amount of compensation (ignoring mitigation or any other factors reducing the amount payable) on termination of any such contract would exceed £30,000 (or its equivalent); and

- e) the establishment, together with the executive directors, of the terms of appointment of all non-executive directors of the Company, provided that a non-executive director shall not be involved in the establishment of his own terms.
5. It is intended that meetings of the remuneration committee shall be held not less than twice a year.
6. The remuneration committee is authorised by the board:
- a) to investigate remuneration paid to directors of other companies of a similar size and relative performance in a comparable industry sector in the UK;
  - b) to obtain information on the remuneration of any employee of the Company;
  - c) to obtain legal or other independent advice; and
  - d) to secure the attendance of any person with relevant experience and expertise at committee meetings if it considers this appropriate.
7. The duties of the remuneration committee are:
- a) to have regard to and, so far as the Committee considers appropriate, taking into account the nature and size of the Company and its Group, to comply with the Code of Best Practice set out in the London Stock Exchange Listing Rules (including in particular the Code provisions relating to remuneration policy, directors' service contracts and compensation);
  - b) to consult the Company's chief executive about the committee's proposals relating to the remuneration of executive directors and other senior executives;
  - c) to determine the Company's policy in relation to compensation agreed to be paid to any executive director or other senior executive in connection with termination of employment and, where appropriate, office as director;
  - d) to report each year to shareholders on behalf of the board in the form required by the Listing Rules;
  - e) give initial consideration each year to whether the shareholders should be invited to approve the Company's policy on executive directors' remuneration set out in the committee's report to shareholders provided that it is the Board which shall have ultimate responsibility for the decision; and
  - f) to consider other matters as referred to the remuneration committee by the board,
- and shall include the right to consider any other matters which they reasonably feel to be within their terms of reference as stated herein.
8. The Chairman (failing which another member) of the committee must attend the Company's annual general meeting to answer shareholders' questions about directors' remuneration.

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**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**Constitution**

1. The terms of reference to the audit committee are as set out below.

**Membership**

2. The audit committee is to consist of Andrew Wood (Chairman) and/or any other non-executive directors as may be appointed from time to time pursuant to the articles of association of the Company. A quorum shall be two members.
3. The chairman of the audit committee itself shall be appointed by the board from time to time and he shall chair meetings of the audit committee at which he is present. Where such chairman is not present at a particular meeting, the committee shall appoint one of their number present to chair that meeting. The chairman of any such meeting shall have a casting vote on all matters.
4. Persons other than directors may be co-opted onto the committee by the committee and any such co-opted persons shall have voting rights as members of the committee, provided always that (a) the number of co-opted members shall be less than one half of the total number of members of the committee and (b) no resolution of the committee shall be effective unless a majority of the members of the committee present throughout the meeting of the committee are directors.

**Attendance at meetings**

5. The committee shall be entitled to invite other board members, including particularly the finance director, and a representative of the Company’s external auditors to be present if, in its discretion, it so wishes though once a year the audit committee must meet the Company’s external auditors without any executive director present.
6. The company secretary shall be the secretary of the committee, except at the annual meeting with the external auditors and any other meeting which the committee determines.

**Frequency of meetings**

7. Meetings shall be held not less than twice a year. The Company’s external auditors may request a meeting if they consider that one is necessary.

## **Authority**

8. The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the committee.
9. The committee is authorised by the board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary at the Company's expense.

## **Duties**

10. The duties of the committee shall be:

- a) to consider the appointment of the external auditor, the audit fee and any questions or resignation or dismissal;
- b) to ensure that the auditors of the company are free to conduct their investigations independent of management constraint. It shall ascertain and take such steps as it can to ensure that the independence and objectivity of the auditors is maintained and to support the auditors sufficiently to enable them to render unbiased opinions, reports and findings;
- c) generally to keep under review the independence and objectivity of the auditors;
- d) where the auditors supply or start to supply a substantial volume of non-audit services to the Company, to keep under review the nature and extent of such services, seeking to balance the maintenance of objectivity and value for money;
- e) after each audit, to keep under review its results and its cost effectiveness;
- f) to discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- g) to review the half year and annual financial statements before submission to the Board, focusing particularly on:
  - i) any changes in accounting policies and practices
  - ii) major areas of subjective judgement
  - iii) significant adjustments resulting from the audit
  - iv) the going concern assumption
  - v) compliance with accounting standards
  - vi) compliance with Stock Exchange and legal requirements as appropriate
- h) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

- i) to review the external auditor's management letter and management's response;
- j) annually, to conduct an initial review, on behalf of the Board, of the effectiveness of the Group's system of internal control and to review the Company's statements on internal control systems prior to endorsement by the Board;
- k) (if an internal audit function exists) to review the internal audit programme, ensure coordination between the internal and external auditors, and ensure that the internal audit function has adequate resources and has appropriate standing within the Company;
- l) to consider the major findings of internal investigations and management's response;
- m) to review the Group's compliance procedures and controls both in the UK and overseas operations; and
- n) to consider other topics, as defined by the Board and to refer matters to the Board which in its opinion should be addressed at a meeting of the Board.

### **Reporting procedures**

11. The secretary shall circulate the minutes of meetings of the committee to all members of the board.
12. The chairman of the Committee shall be available to answer questions about the Committee's work at the annual general meeting of the Company.

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**TERMS OF REFERENCE OF THE NOMINATION COMMITTEE**

1. The terms of reference to the nomination committee are as set out below.
2. The nomination committee is to consist of John Standen (Chairman) and/or any other non-executive directors appointed from time to time pursuant to the articles of association of the Company. A quorum shall be two members.
3. The chairman of the nomination committee itself shall be appointed by the board from time to time and he shall chair meetings of the nomination committee at which he is present. Where such chairman is not present at a particular meeting, the committee shall appoint one of their number present to chair that meeting. The chairman of any such meeting shall have a casting vote on all matters.
4. The nomination committee is to have the following powers, authorities and instructions, namely:
  - a) where the Board has identified the need for Board appointments to consider any nominees put forward by any member of the Board, and (where appropriate) to employ the services of such consultants, and to carry out a formal selection process of candidates, and then propose to the Board and make recommendations regarding appointments, whether of executive or non-executive directors.
5. All decisions in respect of appointment of directors shall be referred to the Board and shall take effect only upon approval thereof by resolution of the Board at a meeting that is properly convened and constituted and in accordance with the Company's Articles of Association.