

WALCOM GROUP LIMITED

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

CONSTITUTION

- 1 The board hereby resolves to establish a committee of the board to be known as the remuneration committee (the 'Remuneration Committee'):
 - (a) to ensure that the Company's Directors and senior executives are fairly rewarded for their individual contributions to the Company's overall performance by determining their pay and targets; and
 - (b) to demonstrate to all shareholders that the remuneration of the Directors and senior executives of the Company is set out by a committee of the board who will give due regard to the interests of the shareholders and to the financial and commercial health of the company.

MEMBERSHIP

- 2 The Remuneration Committee shall be appointed by the board and shall initially comprise all non-executive Directors holding or representing a shareholding of less than five per cent. in the Company, namely Eddie Chan, Timothy Nelson and Royston Drucker, or such other individuals determined by the board and shall consist of not less than three members, the majority of which shall be non-executive Directors. The chairman of the Remuneration Committee shall be Eddie Chan or as otherwise selected by the board or in the absence of the chairman, the remaining members shall elect one of their number to chair the meeting.
- 3 Members of the Remuneration Committee must make any personal financial interests known to the Remuneration Committee as soon as any such interest arises. On questions regarding the remuneration of any executive Director who sits on the Committee, that director shall have no right to attend or vote at, and shall have no input to, the relevant part of any meeting of the Remuneration Committee at which matters regarding his remuneration are discussed.
- 4 A quorum shall consist of two members.
- 5 Appointments to the Remuneration Committee shall be for a period of up to three years which may be extended provided the relevant member remains independent.

ATTENDANCE AT MEETINGS

- 6 The Chairman of the Company and/or the Chief Executive, together with any other non-executive directors or external advisers, may be invited to attend meetings as and when appropriate.

FREQUENCY

- 7** Meetings shall be held not less than once a year and wherever the Remuneration Committee sees fit.
- 8** 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.

DUTIES

- 9** The Remuneration Committee has the authority to carry out the following duties:
 - (a)** to make recommendations to the board as to the remuneration of the executive Directors including bonuses and any element of remuneration which is performance related of the Company;
 - (b)** to make recommendations to the board as to the remuneration of senior executives of the Company, and directors and senior executives of its subsidiaries, whose remuneration may have implications for that of the executive directors of the Company;
 - (c)** to approve all service contracts between the Company and its Directors or between the any subsidiary and its Directors;
 - (d)** to administer all aspects of any share option scheme operated by or to be established by the Company provided that option grants to any member of the Remuneration Committee shall be determined by the Board itself;
 - (e)** to have due regard in the performance of the duties set out in this paragraph to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of options plan which the Remuneration Committee considers relevant or appropriate;
 - (f)** to the extent that the same shall be necessary or appropriate, to make a report each year to the shareholders on behalf of the board, which report should form part of, or be annexed to, the company's annual report and accounts and which, in such manner as the Remuneration Committee may decide, shall address the following:
 - (i)** the report should be the main vehicle through which the company accounts to shareholders for directors' remuneration. It should include the following:
 - (A)** actual remuneration packages;

- (B) share options and pension entitlements earned by individual directors who should be named;
- (ii) the report should also set out the Company's general policy on executive remuneration, including levels, individual components, performance criteria and measurement, pension provision, contracts of service, compensation commitments on early termination, any special arrangements made and material changes made during the year;
 - (iii) the report should state that, in framing its remuneration policy, the Remuneration Committee has given full consideration to the best practice provisions set out in paragraph 13 and should list the members of the Remuneration Committee;
 - (iv) the report should also include full details of all elements in the remuneration package of each individual Director by name, such as basic salary, benefits in kind, annual bonuses and long-term incentive schemes including share options, and of the extent to which performance criteria are being met. See Appendix attached.
 - (v) information on share options should be given for each Director in accordance with the recommendations of the Accounting Standards Board's Urgent Issues Task Force Abstract 10 and its successors;
 - (vi) if grants under executive share option or other long-term incentive schemes are awarded in one large block rather than phased, the report should explain and justify;
 - (vii) also included in the report should be pension entitlements earned by each individual director during the year, calculated on a basis to be recommended by the Faculty of Actuaries and the Institute of Actuaries;
 - (viii) if annual bonus or benefits in kind are pensionable the report should explain and justify;
 - (ix) the amount received by, any commitments made to, each director should be subject to audit;
 - (x) any service contracts which provide for, or imply, notice periods in excess of one year (or any provisions for predetermined compensation on termination which exceed on year's salary and benefits) should be disclosed in the report and the reasons for the longer notice periods explained; and
 - (xi) the report should take account of or note shareholdings and other relevant business interests and activities of the directors, which should

continue to be disclosed as required in the Companies Act and the AIM Rules.

- 10 Minutes of each meeting of the Remuneration Committee shall be produced but the Committee shall not be obliged to circulate those minutes to directors. The Remuneration Committee may, in addition, at any time request a fully meeting of the board at which its conclusions and recommendations shall be reported.

REMUNERATION POLICY

- 11 In fulfilling its duties, the Remuneration Committee shall take account of the following:
- (a) the Remuneration Committee must provide the packages needed to attract, retain and motivate Directors and senior executives of the quality required but should avoid paying more than is necessary for this purpose;
 - (b) the Remuneration Committee should judge where to position the Company relative to other companies. It should be aware what other comparable companies are paying and should take account of relative performance;
 - (c) the Remuneration Committee should be sensitive to the wider scene, including pay and employment conditions elsewhere in the Company, especially when determining annual salary increases;
 - (d) the performance-related elements of remuneration should be designed to align the interests of directors and shareholders and to give directors keen incentives to perform at the highest levels;
 - (e) the Remuneration Committee should consider whether their directors should be eligible for annual bonuses. If so, performance conditions should be relevant, stretching and designed to enhance the business. Upper limits should always be considered;
 - (f) the Remuneration Committee should consider whether the directors or senior executives should be rewarded by or be eligible to participate in long-term incentive schemes. If appropriate Directors could be rewarded with cash, or with awards of shares or options which are structured to encouraged them to hold their shares for a period after vesting or exercise. The total rewards potentially available should not be excessive.

SERVICE CONTRACTS AND COMPENSATION

- 12 The Remuneration Committee should consider what compensation commitments their directors' contracts of service, if any, would entail in the event of early termination, particularly for unsatisfactory performance, taking into account the following:

- (a) there is a strong case for setting notice or contract periods at, or reducing them to, one year or less. The Remuneration Committee should, however, be sensitive and flexible, especially over timing. In some cases notice or contract periods of up to two years may be acceptable. Longer periods should be avoided wherever possible;
- (b) if it is necessary to offer longer notice or contract periods, such as three years, to new directors recruited from outside, such periods should reduce after the initial period;
- (c) within the legal constraints, the Remuneration Committee should tailor their approach in individual early termination cases to the wide variety of circumstances. The broad aim should be to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance;
- (d) the Remuneration Committee should take a robust line on payment of compensation where performance has been unsatisfactory and on reducing compensation to reflect departing directors' obligations to mitigate damages by earning money elsewhere; and
- (e) were appropriate, and in particular where notice or contract periods exceed one year, consideration should be given to paying all or part of compensation in instalments rather than one lump sum and reducing or stopping payment when the former director takes on new employment.

ADDITIONAL AUTHORITY

- 13 In addition to its authorities set out above, the Remuneration 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 or director and any employee or director is directed to co-operate with any request may by the Committee.
- 14 The Remuneration 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.
- 15 As a sub-committee of the board, the Remuneration Committee is answerable to the board and shall report to it on a regular basis, but subject to the right of the Committee to keep its minutes and deliberations confidential to the Committee members.
- 16 The Chairman of the Committee shall attend the AGM prepared to respond to any shareholder questions on the Committee's activities.
- 17 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness, and recommend any changes it considers necessary to the Board for approval.

APPENDIX

SUGGESTED SUMMARY REMUNERATION TABLE

By way of guidance only (which the Committee may or may not decide to utilise), the table below is intended to bring together, in one place, the value of all of the various elements of remuneration received by each director during the year.

| | Salary & fees | Benefits | Annual Bonus | Other | Total | Prior year total | Long-term incentives | | Pensions | |
|-----------|------------------|----------|--------------|-------|-------|------------------|----------------------|------------|--------------|------------|
| | | | | | | | Current year | Prior year | Current year | Prior year |
| | (Note 1) £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Executive | | | | | | | | | | |
| A | | | | | | | | | | |
| B | | | | | | | | | | |
| C | | | | | | | | | | |
| D | | | | | | | | | | |
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