

BAOBAB RESOURCES PLC

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 prerequisites; and
 - (b) to demonstrate to all shareholders that the remuneration of the senior executive members 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, shall comprise at least two independent non-executive directors of the company and shall consist of not less than two members. The board shall elect a chairman from amongst the Remuneration Committee members.
- 3** Members of the Remuneration Committee must make any personal financial interests known to the Remuneration Committee as soon as any such interest arises.
- 4** Members of the Remuneration Committee shall serve on the Remuneration Committee for periods of up to 3 years, which may be extended for two further three year periods provided the director remains independent. The membership of the Remuneration Committee shall be set out in the annual report of the company.
- 5** A quorum shall consist of two members.

ATTENDANCE AT MEETINGS

- 6** The chairman of the company and/or the chief executive should be invited to attend meetings. Other non-executive directors may attend. The company secretary shall be the secretary of the meeting.
- 7** Minutes of each meeting of the Remuneration Committee shall be produced. The Remuneration Committee may, in addition, at any time request a full meeting of the board at which its conclusions shall be reported.

FREQUENCY

- 8** Meetings shall be held not less than twice a year and whenever the Remuneration Committee sees fit. The external auditors may request a meeting if they consider that one is necessary.

NOTICE OF MEETINGS

- 9** Meetings of the Remuneration Committee shall be summoned by the company secretary at the request of any of its members.
- 10** Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of matters to be discussed shall be forwarded to each member

and other person required to attend no later than 10 working days before the date of the meeting.

11 AUTHORITY

12 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 made by the Remuneration Committee.

13 The Remuneration Committee is authorised by the board to obtain, at the company's expense, outside legal or other independent professional advice on any matters within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

14 As a sub-committee of the board, the Remuneration Committee is answerable to the board and shall report to it on a regular basis.

VOTING ARRANGEMENTS

15 Each member of the Remuneration Committee shall have one vote which may be cast on matters considered at the meeting. Votes may only be cast by members attending the meeting.

16 If a matter considered by the Remuneration Committee is one in which a member has a personal interest (either directly or indirectly), that member shall not be permitted to vote at the meeting.

17 Save where he has a personal interest, the chairman will have the casting vote.

DUTIES AND TERMS OF REFERENCE

18 The Remuneration Committee shall:

- (a) determine and agree with the board the framework for the remuneration of the company's chief executive, chairman, the executive directors, the company secretary and such other members of the executive management as it is designated to consider. No director or manager shall be involved in any decisions as to their own remuneration. Within the terms of the agreed policy and in consultation with the chairman and/or chief executive as appropriate, the Remuneration Committee shall determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options and other share awards;
- (b) review the ongoing appropriateness and relevance of the remuneration policy;
- (c) approve all service contracts between the company and its directors or between the company and any subsidiary and any such senior executive;
- (d) review the company's arrangements for its employees to raise concerns about possible wrongdoing in financial reporting or other matters. The Remuneration Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (e) determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- (f) be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration

Committee and to obtain reliable, up-to-date information about remuneration in other companies;

- (g) 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, 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 19 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;
 - (v) information on share options, including SAYE options, should be given for each director;
 - (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 one 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 Acts and the AIM Rules.

REMUNERATION POLICY

19 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 of the quality required but should avoid paying more than is necessary for this purpose;
- (b) the Remuneration Committee should judge where to position their 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 Remuneration Committee should oversee any major changes in employee benefits structures throughout the Company;
- (e) the Remuneration Committee should agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- (f) 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;
- (g) the Remuneration Committee should approve the design of, and determine targets for, any performance related pay schemes (including share incentive plans) and approve the total annual payments made under such schemes. In particular:
 - (i) the Remuneration Committee should consider whether the 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. There may be a case for part-payment in shares to be held for a significant period;
 - (ii) the Remuneration Committee should consider whether the directors should be eligible for benefits under long-term incentive schemes. Traditional share option schemes should be weighed against other kinds of long-term incentive scheme. Directors should be encouraged to hold their shares for a further period after vesting or exercise subject to the need to finance any costs of acquisition and associated tax liability;
 - (iii) the Remuneration Committee should propose new long-term incentive schemes (including share option schemes), whether payable in cash or shares in which directors or senior executives will participate which potentially commit shareholders' funds over more than one year or dilute the equity only on the basis that shareholders will approve the schemes prior to their adoption; and
 - (iv) any new long-term incentive schemes which are proposed should preferably replace existing schemes or at least form part of a well-considered overall plan, incorporating existing schemes, which should be approved as a whole by shareholders. The total rewards potentially available should not be excessive;
- (h) executive share options should never be issued at a discount;
- (i) the Remuneration Committee should consider the pension consequences and associated costs to the company of basic salary increases, especially for directors close to retirement; and
- (j) in general, neither annual bonuses nor benefits in kind should be pensionable.

SERVICE CONTRACTS AND COMPENSATION

- 20** The Remuneration Committee should consider what compensation commitments the 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.

REMUNERATION OF MEMBERS OF THE COMMITTEE

- 21** The remuneration of the members of the Remuneration Committee is to take the form of a fixed fee and is to be determined by the board of directors subject to any limits set in the articles of association and in proportion to the amount of time given to the affairs of the company.
- 22** Decisions or discussions relating to the remuneration of the members of the Remuneration Committee should be reported to the shareholders.

GENERAL MATTERS

- 23** Finalised minutes of the meetings of the Remuneration Committee will be circulated to the members of the board of directors as part of the board papers for each full meeting of the board of directors.
- 24** The chairman of the company should make himself available at each Annual General Meeting of the company to answer questions concerning the Remuneration Committee's work during the preceding year.
- 25** Recommendations of the Remuneration Committee minutes must be approved by the board of directors before they can be implemented.
- 26** The Remuneration 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 of directors for approval.

APPENDIX

SUGGESTED SUMMARY REMUNERATION TABLE

This table 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										
B										
C										
D										
E										
Non-Executive										
F										
G										
H										

Note 1 A separate analysis of fees for non-executives, separating board and committee fees, may be given.