WALKERCRIPS
GROUP PLC

REMUNERATION COMMITTEE - TERMS OF REFERENCE

General

1. The Remuneration Committee should determine the company's policy on executive directors' remuneration and specific remuneration packages for each of the executive directors, including pension rights and any compensation payments.

2. The Remuneration Committee should consist entirely of non-executive directors with no personal financial interest other than as shareholders in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business.

3. The Chairman of the Remuneration Committee should report to the shareholders through means specified in the Listing Rules of the London Stock Exchange.

4. The Remuneration Committee should consult the Chairman of the Board and/or the Chief Executive about their proposals relating to the remuneration of other executive directors and have access to professional advice inside and outside the company – the cost of such professional advice to be reasonable in relation to the company's overall expenses budget.

5. The Chairman of the Remuneration Committee, or other members of the Remuneration Committee, should attend the company's annual general meeting to answer shareholders' questions about directors' remunerations.

6. The Remuneration Committee's annual report to shareholders need not be a standard term of agenda for annual general meetings, but the Committee should consider each year whether the circumstances are such that the annual general meeting should be invited to approve the policy set out in its report and should minute its conclusions.

Remuneration Policy

7. The Remuneration Committee should provide the packages needed to attract, retain and motivate directors of the quality required but should avoid paying more than is necessary for this purposes.

8. The Remuneration Committee should judge where to position the company relative to other companies. They should be aware what comparable companies are paying and should take account of relative performance.

9. The Remuneration Committee should be sensitive to the wider scene, including pay and employment conditions elsewhere in the group, especially when determining annual salary increases.

10. 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.

11. 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. Three may be a case for part-payment in shares to be held for a significant period.

12. The Remuneration Committee should consider whether the directors should be eligible for benefits under long-term incentive schemes. Traditional share option schemes should be weighted against other kinds of long-term incentive schemes. In normal circumstances, shares granted or other forms of deferred remuneration should not vest, and options should not be exercisable in under three years. 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.

13. Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace existing schemes or at least form part of a well-considered overall plan, incorporating existing schemes. The total rewards potentially available should not be excessive.

14. Payouts or grants under all incentive schemes, including new grants under existing share option schemes, should be subject to challenging performance criteria reflecting the company's objectives. Consideration should be given to criteria which reflect the company's performance relative to a group of comparator companies in some key variables such as total shareholder return.

15. Grants under executive share option and other long-term incentive schemes should normally be phased rather than awarded in one large block.

16. The Remuneration Committee should consider the pension consequences and associated costs to the Company of basic salary increases and other changes in remuneration, especially for directors close to retirement.

17. In general, neither annual bonuses nor benefits in kind should be pensionable.

Service Contracts and Compensation

18. The Remuneration Committee should consider what compensation commitments (including pension contributions) the directors' contracts of service, if any, would entail in the event of early termination, particularly for unsatisfactory performance.

19. 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.

20. 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.

21. Within the legal constraints, the Remuneration Committee should tailor its 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 and to take a robust line on reducing compensation to reflect departing directors' obligations to mitigate damages.

22. Where appropriate and in particular where notice or contract periods exceed one year companies should consider 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.

Approval

This Directors' Remuneration Report, including both the Policy and Annual Remuneration Report has been approved by the Board of Directors.