

ROK PLC
TERMS OF REFERENCE – AUDIT COMMITTEE

Constitution

The Combined Code on Corporate Governance (the Combined Code) states that:

“The Board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company’s auditors.”

The Combined Code goes on to say that the main role and responsibilities of the Audit Committee should be “set out in written terms of reference.”

The Board has resolved to establish an Audit Committee.

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least 3 members.
- 1.2 As the Company is a smaller company (below the FTSE 350) a minimum of two members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, the Chief Executive, Finance Director, other directors, the head of Rok Assurance and other employees may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be made by the Board annually.
- 1.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1 The Company Secretary or his nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5. **Notice of Meetings**

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.2 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 5 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.

6. **Minutes of Meetings**

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

7. **Annual General Meeting**

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. **Duties**

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1 **Financial Reporting**

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements, analysts' and shareholder results presentations and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- 8.1.2 The Committee shall review and challenge where necessary:
 - 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
 - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

- 8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 8.1.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- 8.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

8.2 Internal Controls and Risk Management Systems

The Committee shall:

- 8.2.1 keep under review the effectiveness of the Company's internal controls and risk management systems; and
- 8.2.2 review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

8.3 Whistleblowing

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

8.4 Rok Assurance, incorporating Internal Audit

The Committee shall:

- 8.4.1 monitor and review the effectiveness of the Rok Assurance function in the context of the Company's overall risk management system;
- 8.4.2 approve the appointment and removal of the head of the Rok Assurance function;
- 8.4.3 consider and approve the remit of the Rok Assurance function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 8.4.4 review and assess the annual Rok Assurance plan;
- 8.4.5 review promptly all reports on the company from the Rok Assurance function;
- 8.4.6 review and monitor management's responsiveness to the findings and recommendations of the Rok Assurance function; and

8.4.7 meet the head of Rok Assurance at least once a year, without management being present, to discuss their remit and any issues arising from the work carried out. In addition, the head of Rok Assurance shall be given the right of direct access to the Chairman of the Committee.

8.5 External Audit

The Committee shall:

- 8.5.1 consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.5.2 oversee the relationship with the external auditor including (but not limited to):
 - 8.5.2.1 approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 8.5.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.5.2.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 - 8.5.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - 8.5.2.5 agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - 8.5.2.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners
- 8.5.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 8.5.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.5.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- 8.5.5.1 a discussion of any major issues which arose during the audit;
- 8.5.5.2 any accounting and audit judgements; and
- 8.5.5.3 levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit.

- 8.5.6 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.7 review the management letter and management's response to the auditor's findings and recommendations; and
- 8.5.8 develop and implement a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

8.6 Reporting Responsibilities

- 8.6.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.6.3 The Committee shall ensure that a report to shareholders on its activities is included in the Company's Annual Report.

8.7 Other Matters

The Committee shall:

- 8.7.1 have access to sufficient resources in order to carry out its duties, including access to the finance function and/or the company secretariat for assistance as required;
- 8.7.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.7.3 give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;
- 8.7.4 be responsible for co-ordination of the internal and external auditors;
- 8.7.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 8.7.6 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.

9. **Authority**

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 9.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 9.3 to call any employee to be questioned at a meeting of the Committee as and when required.

December 2006

(JPT/sa/Misc/GBM/Terms of Ref – Audit Comm)

ROK PLC
TERMS OF REFERENCE – REMUNERATION COMMITTEE

Constitution

The Combined Code on Corporate Governance (the Combined Code) states that:

“There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.”

It goes on to state that:

“The Board should establish a remuneration committee [which] should make available its terms of reference, explaining its role and the authority delegated to it by the Board.”

The Board has resolved to appoint a Remuneration Committee.

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least 3 members, all of whom are independent non-executive directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, the Chief Executive, other senior executives and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3 Appointments to the Committee shall be made by the Board annually.
- 1.4 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be Chairman of the Committee.

2. Secretary

- 2.1 The Company Secretary or in his absence the People Director shall act as the Secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be 2. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Meetings

- 4.1 The Committee shall meet three times a year and at such other times as the Chairman of the Committee shall require.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
- 5.2 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 5 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.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, to all members of the Board, unless a conflict of interest exists.

7. Annual General Meeting

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

The Committee shall:

- 8.1 determine and agree with the Board the framework or broad policy for the total remuneration of the Company's Chief Executive, the executive directors, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman of the Company, the Chief Executive and the Finance Director. No director or manager shall be involved in any decisions as to their own remuneration;
- 8.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- 8.3 review the ongoing appropriateness and relevance of the remuneration policy;
- 8.4 approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;
- 8.5 review the design of all share incentive plans including the Long Term Incentive Plan for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- 8.6 determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;

- 8.7 ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.8 within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards;
- 8.9 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- 8.10 review and note annually the remuneration trends across the Company or Group;
- 8.11 oversee any major changes in employee benefits structures throughout the Company or Group;
- 8.12 agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- 8.13 ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled; and
- 8.14 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

9. Reporting Responsibilities

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall ensure that an annual report of the Company's remuneration policy and practices forms part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the AGM.

10. Other

- 10.1 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.

11. **Authority**

- 11.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 11.2 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.

December 2006

(JPT/sa/Misc/GBM/Terms of Ref – Remun Comm)

ROK PLC
TERMS OF REFERENCE – NOMINATION COMMITTEE

Constitution

The Combined Code on Corporate Governance (the Combined Code) states that:

“There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.”

It also provides that:

“There should be a Nomination Committee which should lead the process for board appointments and make recommendations to the board.”

The Board has resolved to appoint a Nomination Committee.

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board and shall be made up of at least 3 members, the majority of whom should be independent non-executive directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, People Director, other senior executives and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.3 Appointments to the Committee shall be made by the Board annually.
- 1.4 The Board shall appoint the Committee Chairman who should be either the Chairman of the Board or an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting. The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.

2. Secretary

- 2.1 The Company Secretary or in his absence the People Director shall act as the Secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be 2, both of whom must be independent non-executive directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings

- 4.1 The Committee shall meet twice a year and at such other times as the Chairman of the Committee shall require.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chairman of the Committee.
- 5.2 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 5 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.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and to all members of the Board, unless a conflict of interest exists.

7. Annual General Meeting

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

- 8.1 The Committee shall:
 - 8.1.1 regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
 - 8.1.2 give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
 - 8.1.3 be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
 - 8.1.4 before appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - 8.1.4.1 use open advertising or the services of external advisers to facilitate the search;
 - 8.1.4.2 consider candidates from a wide range of backgrounds; and
 - 8.1.4.3 consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.

- 8.1.5 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the market place;
 - 8.1.6 keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
 - 8.1.7 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties; and
 - 8.1.8 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.
- 8.2 The Committee shall also make recommendations to the Board concerning:
- 8.2.1 formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive (but see 8.2.8 below);
 - 8.2.2 suitable candidates for the role of senior independent director;
 - 8.2.3 membership of the Audit, Nomination and Remuneration Committees, in consultation with the chairmen of those committees;
 - 8.2.4 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
 - 8.2.5 the continuation (or not) in service of any director who is due to reach the age of 65 before the next Annual General Meeting;
 - 8.2.6 the re-election by shareholders of any director under the 'retirement by rotation' provisions in the Company's articles of association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
 - 8.2.7 any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract; and
 - 8.2.8 the appointment of any director to executive or other office other than to the positions of Chairman and Chief Executive, the recommendation for which would be considered at a meeting of the full Board.

9 Reporting Responsibilities

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 9.3 The Committee shall ensure that a statement is included in the Annual Report about its activities, the process used to make appointments and explaining if external advice or open advertising has not been used.

10 Other

- 10.1 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.

11. Authority

- 11.1 The Committee is authorised to seek any information it requires from any employee of the company in order to perform its duties.
- 11.2 The Committee is authorised to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

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