

DIRECTORS' SERVICE AGREEMENTS AND TERMS OF ENGAGEMENT

A summary of the terms of the service agreements of Executive Directors and of the terms of engagement of Non-executive Directors is as follows:

A. Executive Directors

- (i) All current service agreements are terminable by either party giving not less than 12 months' notice to expire at any time.
- (ii) Executive Directors are to devote the whole of their time and attention to their duties under the agreement and agree to accept strict confidentiality obligations. In the event of termination there are covenants which restrict employment or engagement in a competing business for at least 12 months.
- (iii) Salaries and benefits are reviewed annually on 1 July by the Remuneration Committee.
- (iv) Executive Directors are eligible to participate in the Company's Group Stakeholder scheme (a defined contribution pension scheme) under which the Company makes contributions up to the annual allowance for tax relieved pension saving, above which a salary supplement is offered. A salary supplement is also offered in circumstances where an Executive Director is not a member of the Company's Group Stakeholder scheme. Overall employer contributions and/or salary supplements do not exceed for each Executive Director 23% of base salary.
- (v) Service agreements are terminable by the Company summarily without notice in the event of serious or persistent breach or conduct which brings the Company into disrepute and also in a number of other specified circumstances.
- (vi) In the event of summary termination by the Company without the required notice (other than in the circumstances described in (v) above), payments to the Director in question are calculated at 70-90% of the value of annual salary, benefits, pension and bonus for the unexpired part of the contractual notice period.

In the contracts of Directors appointed since 2007, a mitigation clause has been included with respect to termination payments such that certain compensation payments are deferred.

All termination payments are subject to normal statutory deductions and are to be received by Executive Directors in full and final settlement and in lieu of any redundancy payments (where applicable) other than statutory redundancy pay.

B. Non-executive Directors

- (i) Non-executive Directors are expected to take part in all Board meetings and in Company General meetings and they serve on all Board committees (other than the Management Board).
- (ii) It is the Company's policy that Non-executive Directors should not normally serve for more than nine years. Their appointment is subject to a three month termination notice period.
- (iii) Non-executive Directors fees are reviewed annually, such review to be effective from the date of the Company's Annual General Meeting and with reference to the average percentage change over the preceding 12 months' figures for the Retail Price Index published by the Office for National Statistics. Additional fees are paid for the chairmanship of Board committees. Reasonable expenses are reimbursed.
- (iv) There is a duty of confidentiality and Non-executives must refrain from accepting other appointments with competing organisations.
- (v) Non-executives have access to Company employees for the purposes of carrying out their duties and are entitled to obtain, at the Company's expense, reasonable external legal or other advice.

All Directors' appointments are subject at all times to the Articles of Association and to the provisions of the Companies Act. All Directors are required to comply with the Model Code, the Company's own Share Dealing Code and any other Code or conduct relating to dealings in shares, debentures or other securities transactions by Directors.