



UK COAL PLC

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

MEMBERSHIP

- The Board shall appoint the Committee of at least two members from amongst the independent Non-Executive Directors of the Company. The Chairman of the Board shall also be a member of the Committee.
- A quorum shall be two members.
- The Board shall appoint the Chairman of the Committee from amongst the independent Non-Executive Directors.
- Appointments to the Remuneration Committee should be made by the Board on the recommendation of the Nomination Committee, in consultation with the Remuneration Committee Chairman.

ATTENDANCE AT MEETINGS

- The Committee shall be able to request attendance of any employee or any Executive Director of the Company for consultation. However, no person may be in attendance for discussion on his or her own remuneration.
- The company secretariat shall provide the Secretary of the Committee.

FREQUENCY OF MEETINGS

- Meetings shall be held not less than once a year.

AUTHORITY

- The Board authorises the Committee to seek any information it requires from any employee or Director, and all employees and directors are directed to co-operate with any request made by the Committee.
- The Board authorises the Committee 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. The Company will meet the cost of such advice or attendance.

DUTIES

The Committee should:

- determine and agree the remuneration policy with the Board for the Chairman of the company, Executive Directors and members of the Executive Management Committee. The remuneration of Non-Executive Directors shall be a matter for the Chairman and Executive members of the Board. No Director or manager should be involved in any decisions as to their own remuneration;
- determine targets for any performance-related pay schemes operated by the company;
- determine the policy for and scope of pension arrangements for each Executive Director and member of the Executive Management Committee;
- 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 recognized;
- within the terms of the agreed policy, determine the total individual remuneration package of each Executive Director and member of the Executive Management Committee including, where appropriate, bonuses, incentive payments and share options;
- in determining such packages and arrangements, give due regard to the contents of the Code as well as the UK Listing Authority's Listing Rules and associated guidance;
- be aware of and advise on any major changes in employee benefit structures throughout the company or group;
- agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- ensure that provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Code, are fulfilled;
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- report the frequency of, and attendance by members at, Remuneration Committee meetings in the annual reports; and
- make available its terms of reference on the company website.

REPORTING PROCEDURES

- Minutes of Committee meetings should be circulated to all members of the Board
- The Committee should provide a written report annually to shareholders