

LAND OF LEATHER HOLDINGS PLC
(the “**Company**”)

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE
(the “**Committee**”)

Adopted by the board on 1st July 2005.

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 two members, all of whom are independent non-executive directors.
- 1.2 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.
- 1.3 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 ATTENDANCE AT MEETINGS

- 2.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chief executive, the head of human resources and external advisers may be invited:
 - 2.1.1 by the Committee chairman, to attend for all or part of a specific meeting as and when appropriate, and
 - 2.1.2 by the Committee, to regularly attend meetings but the Committee may choose to meet without such person(s) being present for all or part of any meeting.
- 2.2 The company secretary or their nominee shall act as the secretary of the Committee.

3 QUORUM

- 3.1 The quorum necessary for the transaction of business shall be two. 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.
- 3.2 Any member of the Committee may participate in a meeting of the Committee by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other and any person participating in the meeting in this manner shall be deemed to be present in person at the meeting. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, at the place where the chairman of the meeting is at the time the meeting is held.

4 FREQUENCY OF MEETINGS

The Committee shall meet at least twice a year and at such other times 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.
- 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 attending and all other non-executive directors, no later than 5 working 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 MEETING

- 6.1 The committee 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 once agreed, to all members of the board, unless a conflict of interest exists.

7 ANNUAL GENERAL MEETING

The Committee chairman 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 remuneration of the chairman of the board, the chief executive, the executive directors, the company secretary and such other members of management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Executive Committee in consultation with the chairman of the board. No director or manager shall be involved in any decisions on 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 management 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 Land of Leather
- 8.3 review the ongoing appropriateness and relevance of the remuneration policy
- 8.4 approve the design of, and determine targets for, any Land of Leather performance related pay schemes and approve the total annual payments made under such schemes
- 8.5 review the design of all Land of Leather share incentive plans 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 Land of Leather, 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 the chairman of the board, 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 within Land of Leather
- 8.11 exercise the discretion of the Board where required under the rules of any share incentive plan, pension arrangement or any other employee benefit scheme
- 8.12 oversee any major changes in Land of Leather employee benefits structures
- 8.13 agree the policy for authorising claims for expenses from the chief executive and chairman of the board
- 8.14 ensure that all statutory and regulatory provisions regarding disclosure of remuneration, including pensions are fulfilled, and
- 8.15 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 produce an annual report of Land of Leather's remuneration policy and practices which will form part of Land of Leather's annual report and ensure each year that it is put to shareholders for approval at the annual general meeting.
- 9.4 The terms of reference of the Committee are to be publicly available.

10 REVIEW

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 Land of Leather director or employee in order to perform its duties.
- 11.2 The Committee is authorised to obtain, at Land of Leather's expense, outside legal or other professional advice on any matters within its terms of reference.

- 11.3 The Committee may delegate the final decision on any matter it has considered within its duties and responsibilities.
- 11.4 Any member of the Committee or the company secretary shall have the power to authenticate any decision of the Committee and to confirm that the decision has been made in accordance with the terms of reference of the Committee.