

Terms of reference

Remuneration Committee

1. Scope

The committee is responsible to the Board for determining the fees of the Chairman and the pay, benefits and employment conditions, including pensions of the Executive Management Team of the Group. It shall also review the pay and benefits of other senior executives whose basic remuneration is in excess of \$150,000 to ensure that fair and robust remuneration policy exist.

2. Membership

2.1. Members of the committee shall be appointed by a majority of the Board and in consultation with the chairman of the remuneration committee. The committee shall be made up of at least 3 members none of whom shall be KCA Deutag employees.

2.2. Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chairman, Chief Executive, the Human Resources Director and external advisers may be invited to attend for all or part of any meeting as the committee may direct.

2.3. A majority of the Board shall appoint the committee chairman. 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.

3. Secretary

3.1. The company secretary or their nominee shall act as the secretary of the committee.

4. Quorum

4.1. 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.

5. Meetings

5.1. The committee shall meet at least twice a year and at such other times as the chairman of the committee shall require.

6. Notice of meetings

6.1. Meetings of the committee shall be summoned by the secretary of the committee at the request of any of its members.

6.2. 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 five 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.

7. Minutes of meetings

7.1. The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.

7.2. Minutes of committee meetings shall be circulated within seven working days of the meeting to all members of the committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

8. Duties

The committee shall carry out the following duties:

Remuneration Policy

8.1. determine and agree with the Board the broad policy for the remuneration of the Group's Chief Executive, Chairman, the executive directors and the Company Secretary. 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

Salaries and benefits

8.4. within the terms of the agreed policy and in consultation with the Chairman and Chief Executive, determine the total individual remuneration package of the Chairman and each member of the Executive Management Team including bonuses, incentive payments, pensions and share options or other share awards

8.7. Approve the group's annual policy on pay reviews

8.8. In determining such packages and arrangements, give due regard to any relevant legal requirements, provisions and recommendations

8.9. Review and note annually the remuneration trends across the company or group

Directors' performance contracts

8.10. Set the overall framework for the performance contracts to be entered into with the Chairman and the Executive Management Team

8.11. Approve each of the Chairman and Executive Management Team performance contracts.

8.12. Approve the total annual payments to be made under the Chairman and Executive Management Team performance contracts.

Performance related pay

8.13. Approve the overall structure of any performance related pay schemes operated by the company for the other senior executives whose basic remuneration is in excess of \$150,000.

8.14 Approve the total annual payments to be made under any performance related pay schemes operated by the company for the other senior executives whose basic remuneration is in excess of \$150,000.

8.15. Determine and approve the Management Equity Scheme and any other share incentive plans. For any such plans, the committee shall set performance targets where appropriate, determine each year the criteria for making awards have been met, and if so, the total overall amount of such awards and the individual awards to the Chairman, Executive management Team and senior executives.

Succession and appointments

8.16. Determine the policy for succession as it relates to the Chairman and Executive Management Team and review the succession plan with the Chairman and CEO on an annual basis.

8.17. Approve the appointment of any new Chairman or member of the Executive Management Team

8.18. Be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee

Other

8.19. Agree the policy for authorising claims for expenses from the Chairman and Chief Executive

8.20. Ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled

8.21. 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

8.22. Ensure that contractual terms for directors 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

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

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, at the company's expense

11.2.1 to obtain any outside legal or other professional advice

11.2.2 within any budgetary restraints imposed by the Board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfill its duties