

Imagination Technologies Group plc

Terms of Reference for the Remuneration Committee

Membership

The members of the Committee shall be the non-executive directors who are independent of management and free of any business or other relationship (including without limitation, cross-directorships or day-to-day involvement in the managements of the business) which could interfere with the exercise of their independent judgement.

The Chairman of the Committee shall be appointed by the Board.

The quorum of the Committee shall be at least two members.

Secretary

The secretary of the Company shall be the secretary of the Committee.

Attendance

Only members of the Committee have the right to attend Committee meetings but other individuals such as the Chairman, CEO and CFO may be invited to attend meetings except when matters relating to his own remuneration are to be discussed. External advisers may be invited to attend for all or part of any meeting as and when appropriate.

Frequency of meetings

Meetings shall be held not less than two times a year and at such other times as the Chairman of the Committee shall require.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information if required from any employee of the company in order to perform its duties.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

Duties

The duties of the committee shall be to:

- Determine and agree with the Board the framework or broad policy for the remuneration of the company's Chairman, CEO, CFO, executive directors and any other senior executives at a level reporting to an executive director. The Committee shall have delegated responsibility for setting remuneration for the Chairman, Chief Executive, and CFO and for all executive directors. The Committee should monitor the remuneration of senior executive reporting directly to an executive director. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;

- In determining such policy, take into account all factors which it deem 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;
- Review the ongoing appropriateness and relevance of the remuneration policy;
- Approve the design of, and determine targets for, any performance related pay schemes operated by the company for executive directors and any other senior executives at a level reporting to an executive director and approve the total annual payments made under such schemes;
- Review the design of all share incentive plans for approval by the Board and shareholders;
- For such plans determine the overall amount of such awards and the level of awards to be made to executive directors;
- Determine the policy for, and scope of, pension arrangements for each executive director and other senior executives referred to above;
- Ensure that contractual terms on termination, and any payments made, are fair to the individual, and reasonable for the company, having regard to all the circumstances;
- Within the terms of the agreed policy and in consultation with the Chairman and/or CEO as appropriate, determine the total individual remuneration package of each executive director referred to above, including bonuses, incentive payments and share options or other share awards;
- In determining such packages and arrangements, give due regard to any relevant legal requirement, the provisions and recommendations in the Combined Code and the UK LA Listing Rules and associated guidance;
- Review and note annually the remuneration trends across companies of comparative size and business;
- Oversee major changes in employee benefits structures throughout the company and group;
- Agree the policy for authorising claims for expenses from the CEO and Chairman, the current policy being that the Chairman of the Board will be responsible for authorising the CEO's expenses and the Chairman of the Remuneration Committee will be responsible for authorising the Chairman's expenses;
- 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
- 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.

Minutes

The minutes of meetings of the Committee shall be circulated to all members of the Board, unless a conflict of interest exists.

Reporting Responsibilities

The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

The Committee shall produce an annual report of the company's remuneration policy and practices which will form part of the company's Annual Report and ensure each year that such report is put to shareholders for approval at the AGM.