
Oxford Instruments plc Board Committees Terms of Reference

2009

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1. Board Committees – Audit

Purpose of the Committee

In summary, the Committee is responsible for monitoring the integrity of the financial statements of the Company which are relied upon by the Board. The Committee reviews the Group's financial statements and internal financial controls and considers the scope and planning of internal and external audits and the findings of the audits.

Membership

The members of the Committee shall be at least three Independent Non-Executive Directors. At least one member of the Committee shall have recent and relevant financial experience. The Chairman and members of the Committee shall be appointed by the Board. The Committee Chairman shall be an Independent Non-Executive Director.

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

Secretary

A senior finance manager of the Company shall be Secretary to the Committee.

Attendance

Only members of the Committee have the right to attend Committee meetings. Others such as the Chairman, the Chief Executive and the Finance Director shall be invited to attend all or part of any meeting as and when appropriate.

Frequency and Notice of meetings

Meetings shall be held no less than three times a year and in addition shall be held as and when necessary to approve the financial content of shareholder statements. Unless otherwise agreed notice of each meeting together with an agenda shall be forwarded to members of the Committee, any other person required to attend and all other Directors no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to those attending as appropriate, at the same time.

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Advisers

The Committee is authorised by the Board to seek appropriate professional advice on any matter within its terms of reference inside and outside the Group as and when it considers this necessary.

The Company's external auditors shall be invited to attend meetings of the Committee on a regular basis, including once at the planning stage before the audit and once after the audit at the reporting stage. At least once a year the Committee or representatives of it should meet the external auditors without the Executives present to discuss their remit and any issues.

Duties

The duties of the Committee shall be as detailed below.

Financial Reporting

The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial issues and judgements which they contain.

The Committee shall consider and confirm to the Board that it can validly make the statements to be included in the Company's Annual Report and Financial Statements under the section on Directors' Responsibilities in relation to the Financial Statements.

The Committee shall review and challenge where necessary:

- changes in accounting policies and ensure consistency of application;
- the methods used to account for significant or unusual transactions where different approaches are possible taking into account any major judgmental areas highlighted by the external auditors;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- all material information presented with the financial statements, such as the operating and financial review, the corporate governance statement, and related party transactions in so far as it relates to the audit;

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- check that all material matters, such as contingent liabilities, including litigation, actual or pending, have been considered in preparing published statements.

Whistle blowing

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigations of such matters and appropriate follow up action.

Internal Audit of Risk Assessments and Controls

The Committee shall

- consider annually what resources are needed for an internal audit function and make recommendation to the Board accordingly;
- review the internal audit plans and the results of such work;
- ensure that adequate resources and appropriate access to information is provided to enable the internal audit process to function effectively and to enable the Directors to form an opinion as to the effectiveness of internal controls;
- approve the form of the management compliance letter, which shall be completed at least once per year by each business' Managing Director; and
- annually review internal financial controls

External Audit

The Committee shall:

- consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor;
- oversee the relationship with the external auditor including (but not limited to):
 - Approval of their fees
 - Approval of their terms of engagement and the scope of the audit
 - Assessing annually their independence and objectivity taking into account (but not limited to) the provision of any non audit services
 - Monitoring the auditor's compliance with relevant professional guidance on the rotation of audit partners
 - Assessing annually the effectiveness of the audit process

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- review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- review with the external auditors the results of their audit, the quality of accounting, accountants and controls within the Group and its subsidiaries;
- review any representation letter(s) requested by the external auditor before they are signed by management;
- review the management letter and management's response to the auditor's findings and recommendations;
- develop and implement a policy on the supply of non-audit services by the external auditor.

Reporting Responsibilities

The Committee shall compile, and recommend to the Board for approval, a report on its activities to be included in the section on Corporate Governance in the Company's Annual Report and Financial Statements. The Committee shall also advise the Board on the Directors' responsibilities in relation to the financial statements and recommend to the Board for approval the statement to be included in the Company's Annual Report and Financial Statements.

Other Matters

The Committee shall review regularly its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

Minutes

The minutes of meetings of the Committee shall be circulated to all members of the Board and where appropriate to the external auditors.

Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

2. Board Committees – Remuneration

Purpose of the Committee

In summary, to recommend to the Board the Company's general policy on remuneration and in particular to determine the remuneration packages for the Chairman and the Executive Directors.

Membership

The members of the Committee shall be at least two Independent Non-Executive Directors plus the Chairman of the Board. The Chairman and members of the Committee shall be appointed by the Board. The Committee Chairman may be the Chairman of the Board. The Board considers the Chairman of the Board should be a member of the Remuneration Committee as it is essential that the Chairman be involved in the work of the committee and in particular the setting of the Executive Directors' remuneration.

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

Secretary

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

Attendance

Only members of the Committee have the right to attend Committee meetings. Others such as the Chief Executive shall be invited to attend all or part of any meeting as and when required.

In particular, the Chief Executive reports to the Committee on the performance of other Executive Directors and on significant Group-wide changes in salary structure and terms and conditions affecting other employees at senior executive level.

Frequency and Notice of meetings

Meetings shall be held not less than twice a year. Unless otherwise agreed notice of each meeting together with an agenda shall be forwarded to members of the Committee, any other person required to attend and where appropriate to all other Directors normally no later than five working days before the date of the meeting.

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Supporting papers shall be sent to Committee members and to those attending, as appropriate, at the same time.

Advisers

The Committee is authorised by the Board to seek appropriate professional advice on any matter within its terms of reference inside and outside the Group as and when it considers this necessary.

Duties

The Committee shall:

- determine and agree with the Board the broad policy for the remuneration of the Company's Chief Executive, the Executive Directors and Company Secretary. For the avoidance of doubt no Director or manager shall be involved in any decisions as to their own remuneration;
- under the chairmanship of the Deputy Chairman (and in the absence of the Chairman) determine and agree all matters relating to the Chairman's remuneration
- review the design of all 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 the performance targets to be used;
- 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 for each executive Director including bonuses, incentive payments, share options and pension benefits;
- approve any contract of employment or related contract with executive Directors on behalf of the Company;
- determine the terms of any compensation package in the event of early termination of the contract of any executive Director ensuring they are fair to the individual, and the Company, and that the duty to mitigate loss is fully recognised;
- agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- ensure that all the provisions regarding the disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled and make recommendations to the Board regarding the content of the Board's Annual Report and Financial Statements to shareholders on the same;

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

Reporting Responsibilities

The Committee shall compile, and recommend to the Board for approval, a report to shareholders on the Company's remuneration policy and practices to be included in the Company's Annual Report and Financial Statements and ensure each year that it is put to shareholders for approval at the AGM.

Other Matters

The Committee shall review regularly its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

Minutes

The minutes of meetings of the Committee shall be circulated to committee members and if appropriate other Directors.

Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

3. Board Committees - Nomination

Purpose of the Committee

In summary, the purpose of the Committee is to lead the process for Board appointments, and to make recommendations to the Board. The Committee also considers the Chief Executive's reports from time to time on succession planning and reviews the performance of the Chief Executive.

Membership

The members of the Committee shall be at least two Non-Executive Directors plus the Chairman of the Board. The Chairman and members of the Committee shall be appointed by the Board. The Committee Chairman shall be the Chairman of the Board. The majority of committee members shall be Independent Non-Executive Directors. The quorum of the Committee shall be at least three members. 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.

Secretary

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

Attendance

Only members of the Committee have the right to attend Committee meetings. Others such as the Chief Executive, the head of human resources and external advisers shall be invited to attend all or part of any meeting as and when required.

Frequency and Notice of meetings

Meetings shall be held not less than once a year. Notice of each meeting together with an agenda shall be forwarded to members of the Committee, any other person required to attend and if appropriate all other Directors normally no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to those attending as appropriate, at the same time.

Advisers

The Committee is authorised by the Board to seek appropriate professional advice on any matter within its terms of reference inside and outside the Group as and when it considers this necessary.

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Duties

The Committee shall:

- regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board and make appropriate recommendations to the Board as appropriate;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- before appointment is made to the Board, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall, where appropriate, use external services to facilitate the search. Candidates should have enough time to devote to the position;
- ensure that before appointment any proposed new Non-Executive Directors receives a draft letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings; This is followed by a formal letter on appointment.
 - make recommendations to the Board for the succession of both executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive;
 - make recommendations to the Board for suitable candidates for the role of Senior Independent Director, membership of the Audit and Remuneration Committees, the re-appointment of any Non-Executive Director at the conclusion of their specified term of office and the re-election by shareholders of any Director under the "retirement by rotation" provisions in the company's articles of association
 - annually receive and review a report on succession planning for the Group's senior managers;
 - annually review the performance of the Chief Executive;
 - be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any nomination consultants who advise the committee.

Reporting Responsibilities

When required, the Committee shall compile, and recommend to the Board for approval, a report to shareholders about its activities, the process used to make appointments and explain if external advice or open advertising has not been used to be included in the Company's Annual Report and Financial Statements and Financial Statements.

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Other Matters

The Committee shall review regularly its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

Minutes

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

Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

4. Board Committees - Administration

Purpose of the Committee

In summary, the Committee has delegated authority from the Board to deal with items of a routine and administrative nature as set out below.

Membership

The members of the Committee shall be at least two Directors. The quorum of the Committee shall be two members. The chairman of meetings of the Administration Committee be the Chairman of the Board if present, or him failing the Chief Executive if present, or him failing the Finance Director if present, or him failing such member present as the Administration Committee members present shall decide.

Secretary

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

Frequency of meetings

Meetings shall be held as and when required. Meetings may be convened by the Company Secretary, or by any Director by notice to any two Directors of whom one may be the Director convening the meeting. It is not necessary for the notice to be given to all Directors

Duties

The Committee shall meet to execute items relating to the following matters:

- Deeds of amendment to the Oxford Instruments Pension Scheme
- Banking arrangements including guarantees, facilities, foreign exchange, and overdrafts
- The formal approval of the preliminary and interim results including the approval of any dividend payments, the balance sheet, the profit and loss account of Oxford Instruments plc and the calling of any general meeting of the shareholders
- Amendments to the Company's share schemes
- The granting and exercise of options under the company's share schemes
- Powers of attorney
- Freehold and leasehold property matters
- The exercise of the Company's powers to appoint and remove Directors of subsidiary companies and Directors of other companies of which the company is entitled to appoint Directors
- Matters delegated to it by the main Board and

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- Other minor matters requiring approval

Reporting Responsibilities

The Committee shall compile a report for the main Board of Directors of the meetings held between each of the scheduled meetings of the main Board.

The Committee's duties and activities during the year shall be disclosed in the Annual Report and Financial Statements and Accounts.

Other Matters

The Committee shall review regularly its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.