

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should immediately consult your independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold your shares in RM plc, please hand this document and the accompanying form of proxy to the purchaser, stockbroker or other agent through whom the sale was effected, for transmission to the purchaser.

RM plc

New Mill House, 183 Milton Park, Abingdon, Oxfordshire, OX14 4SE

16 December 2009

Dear Shareholder,

I have pleasure in enclosing a copy of the Report and Accounts for the financial year ended 30 September 2009 and Notice of the Annual General Meeting of the Company to be held at 2.00pm on 18 January 2010 at 140 Milton Park, Abingdon, Oxon OX14 4RS. I hope that as many members of the Company as possible will be able to attend.

The Company is seeking your consideration and approval of the matters set out below:

Ordinary business

Routine business

The routine business of the Annual General Meeting includes: (a) the consideration of the Company's Report and Accounts; (b) the proposal recommended by the Directors to pay a final dividend of 4.85p per share on 5 February 2010 to all shareholders registered on the register of members at close of business on 8 January 2010; and (c) proposals to re-appoint Deloitte LLP as the Company's auditors and to authorise the Directors to fix the remuneration of the auditors.

Re-election of Directors

Three Directors, Tim Brighouse, John Windeler and Rob Sirs, are retiring and offering themselves for re-election in accordance with the Combined Code on Corporate Governance, which requires directors to be subject to re-election by shareholders at intervals of no more than three years, and the Company's Articles of Association which require one third of all Directors to retire each year. Biographical details for each of these Directors are contained in the Annual Report and Accounts.

Tim Brighouse was appointed as a Non-Executive Director on 20 May 2004 and was last re-elected by shareholders in January 2007. His appointment is governed by a fixed-term letter of appointment. John Windeler was appointed as a Non-Executive Director on 1 October 2002 and became Senior Independent Director in October 2007. He was last re-elected by shareholders in January 2008. His appointment is governed by a fixed-term letter of appointment. The Board believes that both Non-Executive Directors' contribution and commitment as Non-Executive Directors are beneficial to the Group. As Chairman, I confirm that, following formal performance evaluation, their performances continue to be effective and to demonstrate their commitment to their roles.

Rob Sirs is an Executive Director. He was appointed in March 2004 and was last re-elected by shareholders in January 2007.

Special business

RM plc Performance Share Plan January 2010

Your Directors are seeking shareholders' approval at the Annual General Meeting for the introduction of the RM plc Performance Share Plan January 2010 (PSP) following a review of the Company's long term incentive arrangements. Details of how the new PSP fits into the remuneration policy of the Company for Directors are set out in the Directors' Remuneration Report in the Annual Report and Accounts.

A summary of the principal terms of the PSP is contained in the Appendix to this notice and Resolution 8 seeks your authority for its adoption.

The draft rules of the PSP will be available for inspection upon reasonable notice at the Company's registered office, New Mill House, 183 Milton Park, Abingdon, Oxon, OX14 4SE and at the offices of UBS, 1 Finsbury Avenue, London EC2M 2PG during normal business hours on any business day from the date of this notice until the close of the meeting, and at the place of the meeting from 1.45pm until the conclusion of the meeting.

The Board Report on Remuneration

In accordance with Section 439 of the Companies Act 2006 (2006 Act) and the Combined Code, as published by the Financial Reporting Council, your Board is asking for your approval of the Board Report on Remuneration, as set out in the Company's Report and Accounts for the year ended 30 September 2009.

Issues and repurchases of ordinary shares

The notice includes an ordinary resolution renewing the Directors' authority to allot shares, a special resolution dis-applying shareholders' pre-emption rights to a limited extent and a special resolution authorising the Company to make market purchases of its shares.

Resolution 10 renews the authority granted to the Directors to allot new shares in accordance with section 551 of the 2006 Act up to a nominal amount of £621,082, being 33.33% of the issued ordinary share capital at 23 November 2009 (being the latest practicable date prior to publication of this circular). As at 23 November 2009, the Company held no shares in treasury.

Resolution 11 renews the Directors' authority in accordance with section 561 of the 2006 Act to allot further shares for cash without first being required to offer such shares to existing shareholders. If approved, the resolution will authorise the Directors to issue shares in connection with a rights issue and otherwise to issue shares for cash, including the sale on a non pre-emptive basis of treasury shares for cash, up to a maximum nominal amount of £93,172, being 5% of the nominal value of the Company's issued ordinary share capital on 23 November 2009. The Directors do not intend to issue more than 7.5% of the issued share capital of the Company for cash on a non pre-emptive basis in any rolling three year period without prior consultation with the shareholders and Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Both these authorities will expire on the date of the next Annual General Meeting or on 1 April 2011 whichever is the earlier.

I must stress that, at present, your Directors have no intention of using these powers.

Resolution 12 renews the Directors' authority to make market purchases of up to 10% of the Company's issued ordinary shares as at 23 November 2009 (i.e. 9,317,161 ordinary shares). This authority will expire on the date of the next Annual General Meeting or on 1 April 2011 whichever is the earlier. The share repurchases made to date under the authorities granted by shareholders have enhanced pre-exceptional earnings per share to the benefit of all shareholders. The Board believes that it would be appropriate to have the option to use a proportion of the Company's cash resources to make further market repurchases of ordinary shares. The minimum price which may be paid for each share is the nominal value and the maximum price which may be paid for a share is an amount equal to the higher of 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which such share is contracted to be purchased and that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003.

The Company will only exercise the authority granted by the proposed resolution where the Board reasonably believes that repurchasing its shares will increase earnings per share of the ordinary shares in issue after the purchase and, accordingly, is in the best interests of shareholders generally. The number of options to subscribe for equity shares that are outstanding at 23 November 2009 is 4,469,403, being 4.80% of the issued ordinary share capital at that date and 5.33% of the issued ordinary share capital at that date if the authority to make market purchases set out above were used in full, in both cases excluding treasury shares. The Company has no warrants to subscribe for equity shares that are outstanding at 23 November 2009.

The 2006 Act permits certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares by the company. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under share plans. Once held in treasury, the company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the company's assets may be made to the company in respect of the treasury shares.

Any shares purchased by the Company pursuant to the authority conferred by Resolution 12 will either be cancelled and the number of shares reduced accordingly or, if the Directors think fit, they may be held as treasury shares. The Company held no treasury shares at 23 November 2009.

Notice of general meetings

Resolution 13 seeks approval, subject to the Company's Articles of Association, for the Company to call general meetings (other than Annual General Meetings) on 14 clear days' notice. Changes made to the 2006 Act by the Companies (Shareholders' Rights) Regulations 2009 (Regulations) increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Annual General Meetings will continue to be held on at least 21 clear days' notice. Before the coming into force of the Regulations on 3 August 2009, the Company's Articles of Association allowed it to call general meetings other than Annual General Meetings on 14 clear days' notice, provided that only ordinary resolutions were proposed. In order to preserve this ability, Resolution 13 seeks the approval required by the Regulations, which will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. Note that the changes to the 2006 Act mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Articles of association – borrowing powers

Resolution 14 seeks approval for an amendment to the borrowing powers set out in the Articles of Association of the Company, to enable goodwill and intangible assets to be included in capital and reserves, subject to the provisions of FRS10, when calculating the limit on the amount the Company may borrow. Article 103 (C) (III) (h), which it is proposed be deleted, currently requires the book values of goodwill and any other intangible assets to be deducted for the purposes of the calculation. In line with best practice, the limit on the amount the Company may borrow is an amount equal to twice the adjusted capital and reserves (as defined in the Articles of Association). The proposed deletion of Article 103 (C) (III) (h) is in accordance with the Association of British Insurers' guidance on articles of association.

Action to be taken

Please note that we have asked you to complete and return any proxies to our Registrars, Capita Registrars, and not directly to the Company. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. You may also appoint a proxy and give voting instructions online, via the Shareholder Portal, at www.capitashareportal.com. If you have not already done so, you will have to register to use this facility; you will need your investor code which can be found on your Form of Proxy. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service should refer to note 3 of the Notice of Annual General Meeting set out on page 6 of this document. Please note that the deadline for the receipt of proxy appointments by our Registrars is 2.00pm on 16 January 2010.

Recommendation

Your Directors consider that the above proposals are in the best interests of RM plc and its shareholders and recommend that you vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

Yours sincerely

John Leighfield
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of RM plc will be held at 140 Milton Park, Abingdon, Oxon OX14 4RS at 2.00 pm on 18 January 2010 to consider and, if thought fit, pass resolutions 1-10, which will be proposed as ordinary resolutions of the Company, and resolutions 11-14, which will be proposed as special resolutions of the Company:

Ordinary resolutions

Ordinary business

1. To receive and consider the Company's accounts and the reports of the Directors and auditors for the year ended 30 September 2009.
2. To declare a dividend.
3. To re-elect Tim Brighthouse as a Director.
4. To re-elect John Windeler as a Director.
5. To re-elect Rob Sirs as a Director.
6. To re-appoint Deloitte LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
7. To authorise the Directors to fix the remuneration of the auditors.

Special business

8. That:
 - (a) the rules of the RM plc Performance Share Plan January 2010 (PSP), the main features of which are summarised in the Appendix and a copy of which is produced to the meeting and signed by the Chairman for the purpose of identification be approved and adopted and the Board be authorised to do all such acts and things as they may consider necessary or expedient to carry the PSP into effect; and
 - (b) the Board may establish further plans based on the PSP as they may consider necessary in relation to any employees in jurisdictions outside the United Kingdom with such modifications as may be necessary or desirable to take account of local tax, exchange control or securities laws, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the PSP.
9. To approve the Board Report on Remuneration contained in the Company's Annual Report and Accounts for the year ended 30 September 2009.
10. That:
 - (a) the Directors be generally and unconditionally authorised, in accordance with section 551 of the 2006 Act, to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company up to a maximum nominal amount of £621,082 ;
 - (b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 1 April 2011;
 - (c) the Company may, before this authority expires, make an offer or agreement which would or might require shares to be allotted or rights to be granted after it expires and the Directors may allot shares or grant rights in pursuance of such offer or agreement as if this authority had not expired; and
 - (d) all previous unutilised authorities under section 80 of the Companies Act 1985 and section 551 of the 2006 Act shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the 2006 Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date.

Special Resolutions

11. That:
 - (a) the Directors be given power:
 - (i) (subject to the passing of resolution 10), to allot equity securities (as defined in section 560 of the 2006 Act) for cash pursuant to the authority conferred on them by that resolution under section 551 of the 2006 Act; and
 - (ii) to allot equity securities as defined in section 560(3) of the 2006 Act (sale of treasury shares) for cash, in either case as if section 561 of the 2006 Act did not apply to the allotment but this power shall be limited:
 - (A) to the allotment of equity securities in connection with an offer or issue of equity securities to or in favour of:
 - I. holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - II. holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities;

and so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter; and

(B) to the allotment of equity securities pursuant to the authority granted under resolution 10 and/or by virtue of section 560(3) of the 2006 Act (in each case otherwise than under (A) above) up to a maximum nominal amount of £93,172;

- (b) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 1 April 2011;
- (c) all previous unutilised authorities under section 95 of the Companies Act 1985 and sections 570 and 573 of the 2006 Act shall cease to have effect; and
- (d) the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

12. That, in accordance with the 2006 Act, the Company be and is hereby unconditionally and generally authorised to make market purchases (as defined in Section 693 of the 2006 Act) of Ordinary Shares of 2p each in the capital of the Company on such terms and in such manner as the Directors may determine, provided that:

- (a) the maximum number of shares which may be purchased is 9,317,161;
- (b) the minimum price which may be paid for each share is the nominal value thereof;
- (c) the maximum price which may be paid for a share shall be not more than the higher of an amount equal to 5% above the average of the middle market quotations of the Company's Ordinary Shares as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which such share is contracted to be purchased and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (d) this authority shall expire at the conclusion of the next Annual General Meeting, or at close of business on 1 April 2011, whichever is earlier unless such authority is renewed prior to such time;
- (e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares in pursuance of such contract; and
- (f) all existing authorities for the Company to make market purchases of Ordinary Shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has not yet been executed.

13. That, subject to the Company's articles of association, a general meeting (other than an Annual General Meeting) may be called on not less than 14 clear days' notice.

14. That the definition of 'Adjusted Capital and Reserves' in Article 103 of the Articles of Association of the Company (Borrowing Powers) be amended by deleting Article 103 (C) (III) (h).

By order of the Board,

A.J. Robson

Secretary
16 December 2009

Registered Office:
New Mill House
183 Milton Park
Abingdon
Oxon
OX14 4SE

Notes:

1. A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the Annual General Meeting (AGM). Appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person
2. A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notarially) must be returned by one of the following methods:
 - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
 - via www.capitashareportal.com by logging in and selecting the 'Proxy Voting' link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (which can be found on the enclosed proxy form, your share certificate and tax voucher), family name and post code (if resident in the UK);
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below;

and in each case must be received by the Company not less than 48 hours before the time of the meeting.

3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting (and any adjournment thereof) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID"RA10") by the latest time(s) for receipt of proxy appointments specified in, or in a note to, the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. The right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the 2006 Act. Persons nominated to receive information rights under Section 146 of the 2006 Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149(2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
5. Copies of the register of Directors' interests in the share capital of the Company and all contracts of service under which Directors of the Company are employed by the Company or any of its subsidiaries, the draft rules of the PSP and a copy of the Articles of Association, marked to show the change proposed by Resolution 14, are available for inspection at the Company's registered office during business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the meeting from fifteen minutes before it is held until its conclusion. The draft rules of the PSP and a copy of the Articles of Association, marked to show the change proposed by Resolution 14 are also available for inspection during business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the offices of UBS, 1 Finsbury Avenue, London, EC2M 2PG from the date of this notice until the conclusion of the Annual General Meeting.
6. The Company specifies that only those Shareholders entered on the Company's register of members at 2.00 pm on 16 January 2010 or, if the meeting is adjourned, on the Company's register of members 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the Company's register of members after 2.00 pm on 16 January 2010 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
7. The issued share capital of the Company as at 23 November 2009 was 93,171,608 ordinary shares, carrying one vote each. The Company holds no shares in treasury. Therefore, the total number of voting rights in the Company on 23 November 2009 was 93,171,608.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
9. It is possible that, pursuant to requests made by members of the Company under section 527 of the 2006 Act, the Company may be required to publish on its website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on its website.
10. A member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the 2006 Act. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
11. In accordance with section 311A of the 2006 Act, the contents of this notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting, the total voting rights members are entitled to exercise at the Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice can be found at www.rm.com/investors

APPENDIX

Description of RM plc Performance Share Plan January 2010 (PSP)

A summary of the main features of the PSP is set out below:

1. Introduction

This summary outlines the main features of the PSP, under which the Company may grant different types of share award including market value and nil cost options, conditional awards of shares and restricted shares where the employee is the owner of the shares from the date of award but subject to forfeiture. Unless otherwise specified all awards have substantially the same terms. It is currently intended to make conditional awards of shares with a proportion of the award being linked to HMRC approved market value options to maximise tax efficiency.

Awards may be made to employees of the Group including Executive Directors and senior executives of the Company. The PSP also provides flexibility to make economically equivalent cash awards, for example as a result of local tax or regulatory considerations, if this is appropriate in any jurisdiction.

The vesting of all awards made to Executive Directors and senior executives and the receipt of shares will be dependent on continued employment and the satisfaction of conditions linked to the performance of the Company. The performance conditions which it is intended will apply to the initial awards under the PSP are set out below.

2. Operation

Awards will normally only be made within 42 days after the announcement of the Company's results for any period. Awards may also be made at other times in exceptional circumstances. It is intended to first make awards shortly after shareholder approval.

3. Eligibility

All employees and Executive Directors of the Company or of any subsidiary of the Company are eligible to participate in the PSP. Participation by Executive Directors, including the size of the awards and the terms of the performance conditions, will be determined by the Remuneration Committee (Committee).

4. Performance conditions

The vesting of awards made to Executive Directors and senior executives and the receipt of shares will be subject to the satisfaction of challenging conditions linked to the performance of the Company to be measured over a performance period of not less than 3 years.

The performance conditions will be set by the Committee each time the PSP is operated. In respect of the initial award, it is intended that the receipt of shares will be conditional on the satisfaction of the performance conditions described below. The performance period will comprise three financial years of the Company beginning with the financial year in which awards are made. Awards will vest on the later of the testing of the performance conditions and the third anniversary of the award date.

It is intended that for initial awards, vesting will be subject to two performance conditions with 50% of the award being linked to total shareholder return (TSR) and 50% linked to earnings per share (EPS). The two measures will operate independently. The proportion of the award linked to TSR will vest in full if the TSR for a share in the Company places it in the top quartile of a comparator group of companies. 12.5% will vest at median and the award will lapse for below median performance with straight line vesting between. The comparator companies are those in the FTSE Small Cap Index.

The proportion of the award linked to EPS will vest in full if the growth in EPS over the performance period exceeds the Retail Price Index by 8.5%. 12.5% will vest where growth exceeds it by 3%. The award will lapse where growth is less than 3% with straight line vesting between. The award will only come into operation if the share price at vesting is at least equal to 100% of the share price at the start of the performance period.

Awards will lapse at the end of the performance period to the extent that the performance conditions have not been satisfied. There will be no retesting.

The Committee may set different (but just as challenging) performance conditions from those described above for future awards. Performance conditions will be described in the Directors' Remuneration Report in the Annual Report and Accounts.

The Committee may also vary, adjust or waive the performance conditions applying to existing awards to take account of events the Committee considers exceptional, including technical events, such as changes in accounting standards and treatment, provided that where the conditions are waived, the amended conditions are in the opinion of the Committee fair and reasonable and no less challenging than the original conditions would have been but for the event.

5. Individual limits

Except in exceptional circumstances, for example to assist with a senior recruitment, awards to any one person in any one financial year cannot exceed 1.5 times annual remuneration. It is intended that for this year no awards will exceed 1.2 times annual remuneration. Awards under the PSP are not pensionable.

6. Continued employment

An award will normally lapse where participants leave the Group before they become eligible to receive the shares unless the employment ceases due to ill health, injury or disability, retirement, redundancy, death, where there is a sale of the employing business or company, or for other reasons specifically allowed by the Committee. If a participant ceases employment in such circumstances, any subsisting award held by that participant will normally be tested for satisfaction of any performance conditions at the time of leaving employment. The number of shares which may be acquired will be reduced on a pro rata basis to take account of the proportion of the period from the award date to the original vesting date when the participant was not in employment, unless the Committee decides otherwise. The Committee may use its discretion to test performance at the end of the original performance period. If this occurs, awards will be pro-rated for time as described above unless the Committee decides otherwise.

7. Change of control, merger or other reorganisations

On a takeover, scheme of arrangement, merger or other corporate reorganisation, the number of shares received (if any) will be calculated by applying any performance conditions as at the date of the event. Alternatively, participants may be allowed or required by the Company to exchange their awards for awards in another company. Time pro-rating will apply unless the Committee determines that this is not appropriate given the circumstances.

8. Variations

Participants will be notified by the Company where there is a variation in the share capital of the Company, a demerger or a special dividend. Upon such an event the Committee may adjust the awards in any way it considers appropriate.

9. Rights

Options and conditional awards will not enjoy any shareholder rights until the shares have been acquired by the participant. However, except in the case of market value options, participants may receive a payment in cash or shares of an amount equal to the dividends which would have been payable on the shares received during the period from the award date and vesting. In the case of restricted shares, participants are entitled to dividends and to vote the shares during the vesting period unless the Company decides otherwise. Awards are not transferable, except on death, and in exceptional circumstances at the discretion of the Committee may be transferred to family trusts to aid tax planning in a particular jurisdiction, for example, in the US.

Any shares issued under the PSP will rank equally with shares of the same class and in issue on the date of allotment except in respect of rights by reference to a record date prior to the date of allotment. In addition, treasury shares may be used to satisfy awards.

10. Dilution limits

In any ten year period, not more than 10% of the issued ordinary share capital of the Company may be issued or committed to be issued under the PSP and all other employee share plans operated by the Company. In addition in any ten year period, not more than 5% of the issued ordinary share capital of the Company may be issued or committed to be issued under the PSP and all other executive share plans adopted by the Company. If shares are transferred from treasury to satisfy awards, these will also be counted towards the dilution limits for as long as this is required by the Association of British Insurers' guidelines.

11. Amendments to the PSP

The Committee may amend the PSP as it considers appropriate. However, shareholder approval will be required to amend certain provisions of the PSP if they are to the advantage of the participants (except for minor amendments to benefit the administration of the PSP to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment). These provisions relate to: eligibility; individual and plan limits; the basis for determining entitlements to shares; rights attaching to shares; rights in the event of a variation in the Company's share capital; and the amendment powers.

12. Termination

The Committee may terminate the PSP at any time which will, in any event, end on the tenth anniversary of the approval of the shareholders.