



DIRECTORS' SERVICE AGREEMENTS AND TERMS OF ENGAGEMENT

A summary of the terms of the service agreements of executive directors and of the terms of engagement of non-executive directors is as follows:

A. Executive Directors

- (i) All current service agreements are terminable by either party giving not less than 12 months' notice to expire at any time.
- (ii) Executive Directors are to devote the whole of their time and attention to their duties under the agreement and agree to accept strict confidentiality obligations. In the event of termination there are covenants which restrict employment or engagement in a competing business for at least 12 months.
- (iii) Salaries and benefits are reviewed annually on 1 July by the Remuneration Committee.
- (iv) Messrs Allen, Murray and Thornton are eligible to participate in the Senior Directors section of the Dairy Crest Group Pension Plan (a final salary pension plan), up to the plan earnings cap, and to receive a salary supplement of 20% of base salary above the plan earnings cap. Mr Oakes is a member of the Company's Group Stakeholder scheme (a defined contribution pension scheme) under which the Company matches contributions made by Mr Oakes at the rate of 1:2.5 up to a maximum Company contribution of 20% of total base salary.
- (v) Service agreements are terminable by the Company summarily without notice in the event of serious or persistent breach or conduct which brings the Company into disrepute and also in a number of other specified circumstances.
- (vi) In the event of summary termination by the Company, without the required notice, Messrs Allen, Murray and Thornton are entitled to receive a termination payment, comprising 70-90% (dependent on the age of the departing director) of the value of base salary and any supplements, bonus (not exceeding 25% of base salary), benefits in kind and loss of pensions benefit for the unexpired part of the notice period.

In the case of summary termination of the employment of Mr Oakes, without the required notice, Mr Oakes is entitled to receive from the Company a compensation payment, comprising base salary, benefits in kind and a sum equal to 20% of base salary (in respect of pension contributions) for the period from the termination date to the expiry of the notice period, had notice been given. The compensation payment is payable as to 50% on the Company's first regular pay date following termination followed by 6 equal installments of the balance on the next 6 monthly pay dates. Mr Oakes is required to take all reasonable steps to secure comparable alternative employment and to disclose to the Company details of any work secured during the payment period together with details of any relevant earnings during such period.



All termination payments are subject to normal statutory deductions and are to be received by executive directors in full and final settlement and in lieu of any redundancy payments (where applicable) other than statutory redundancy pay.

B. Non-executive directors

- (i) Non-executive directors are expected to take part in Board meetings (currently eight each year) and in Company General meetings and they serve on all Board committees.
- (ii) Initial appointments are for a term of three years with the expectation of normally serving two terms, if both parties agree.
- (iii) Non-executive directors fees (currently £38k p.a.) are determined periodically by the Board, with the assistance of external remuneration consultants, and additional fees (in the range £2,500-5,000) are paid for the Chairmanship of Board committees. Reasonable expenses are reimbursed.
- (iv) There is a duty of confidentiality and non-executives must refrain from accepting other appointments with competing organisations.
- (v) Non-executives have access to Company employees for the purposes of carrying out their duties and are entitled to obtain, at the Company's expense, reasonable external legal or other advice.

All directors' appointments are subject at all times to the Articles of Association and to the provisions of the Companies Act. All directors are required to comply with the Model Code, the Company's own Share Dealing Code and any other Code or conduct relating to dealings in shares, debentures or other securities transactions by directors.