



DAIRY CREST GROUP plc
BOARD REMUNERATION COMMITTEE
TERMS OF REFERENCE AND PROCEDURES

TERMS OF REFERENCE

1. To determine in accordance with the attached Combined Code provisions and within remuneration principles agreed with the Board, Executive Directors' remuneration packages which are consistent with the Company's agreed business strategy. The Chief Executive will determine the salaries and bonuses of other senior executives in consultation with the Company Chairman. The Remuneration Committee will be advised of the general level and structure of senior executive remuneration, as appropriate.
2. To recommend to the Board for those people identified in 1 above:
 - (a) any annual or longer term bonus Scheme and the basis of payments under the Scheme
 - (b) the payments to be made at the conclusion of any bonus period if any doubt exists
 - (c) any material variation to these other forms of payments, e.g. relating to pensions, contracts, granting of share options, etc.
3. If a compensation payment outside agreed contractual terms has to be paid to a departing person as identified at 1 above, to approve the terms thereof.
4. Whether it occurs prior to appointment or afterwards, to approve any variation to the terms of service of those identified at 1 above from company standard terms of service for Executive Directors.

PROCEDURES

1. The Committee shall consist of a minimum of 3 Non-Executive Directors. The Chairman and the Chief Executive of the Company will be present except where matters relating to them personally are being considered.
2. The Committee will meet at least twice each year to approve the annual bonus scheme, to review salaries and overall remuneration based on a report by external consultants and to deal with any other matters deemed relevant.
3. A meeting of the Committee may be convened at any time by the Chairman of the Committee (who shall not be the Chairman of the Company) or, at the request of two non-executive directors, by the Company Secretary, provided that at least 48 hours' notice of any meeting must be given to all members and attendees.



4. For Executive Directors, other than himself, the Chief Executive shall make recommendations to the Committee after prior discussion with the Chairman of the Company. The Chairman of the Company shall make recommendations to the Committee for the Chief Executive. The Chief Executive shall be responsible for managing the process of providing data to assist the Committee in making its recommendations. The Chairman of the Committee, in consultation with the Chief Executive, will select and appoint external consultants who will attend the meeting as necessary in order to provide advice and information.
5. Committee minutes will be taken by the Company Secretary and circulated for information to the Board.
6. There are some occasions when the Directors' service contracts have to be available for enquiries by Shareholders. The Company Secretary shall be responsible for seeing that the appropriate rules are followed.
7. Matters of minor detail may be approved by the Chairman of the Committee alone.

NON-EXECUTIVE DIRECTORS

It is recognised that the Non-Executive Directors should be properly recompensed. The Chairman, in consultation with an outside adviser and with the Chief Executive, shall make recommendations for approval by the whole Board on the fees of Non-Executive Directors, other than himself. Recommendations on the Chairman's remuneration shall be made by the Chief Executive in consultation with the Chairman of the Committee and an outside adviser for approval by the whole Board.

RJN/mc
19 September 2000