

Remuneration report

The Directors present the Remuneration report for the year ended 31 December 2007. The report contains all of the information that is required by Schedule 7A to the Companies Act 1985 and describes how the Company has applied the principles of the Combined Code with regard to remuneration. Sections 3(iii), 3(iv), 3(v), 3(vi), 3(b) and the notes to the Remuneration report on pages 50 and 51 are subject to audit.

1 The Remuneration Committee

The Board has delegated authority to the Committee to review the remuneration trends across the Company and its major businesses and to determine the remuneration and other terms and conditions of the Executive Directors, the Chairman, the Company Secretary and the Key Management of the Company, as shown on pages 36 to 38. The Committee is also responsible for reviewing the remuneration of those individuals identified as senior management by the Board of the Company.

Throughout 2007 the members of the Committee were as follows: The Hon. James Bruce (Chairman), John Biles, Grey Denham and Andrew Osborne. Lars Emilson was appointed as a member of the Committee on 14 September 2007 and, as Company Chairman, is absent when his own fee is discussed by the Committee. All members of the Committee are deemed independent in accordance with the Combined Code (Lars Emilson was independent on appointment to the Company). Details of the number of meetings held by the Committee during the year, as well as attendance details, can be found in the table contained in the Corporate governance report on page 42.

The terms of reference of the Committee are available upon request from the Company Secretary and are on the Company's website. The Committee has access to the advice of the Chief Executive and the Company Secretary (neither of whom participated in any discussion relating to their own remuneration) and a number of external advisers in conducting its duties. During 2007 the Committee consulted the following: Hewitt Associates, who provided the Company with actuarial advice in relation to pensions and New Bridge Street Consultants LLP ('NBSC'), who provided independent advice to the Committee regarding Executive Directors' remuneration and long term incentive arrangements (but no further services to the Company).

2 Remuneration policy

The policy for Executive Directors and Key Management is designed to enable the Company to attract, motivate and retain individuals by ensuring that their rewards are both competitive and linked to individual and business performance.

Consistent with this policy, the remuneration packages of the Executive Directors are intended to be competitive and comprise both fixed and performance-related elements. Performance-related elements are designed to comprise a significant part of potential remuneration. Executive Directors' remuneration is reviewed each year to ensure that it is supportive of the Company's business objectives and the creation of shareholder value. It is the intention of the Committee that there should be long-term incentive plans for Executive Directors whereby they are rewarded with interests in the Company's shares for sustained performance over a period of time.

The remuneration packages for other Key Management are designed to operate on a basis similar to that of the Executive Directors.

3 Remuneration

(a) Executive Directors

(i) Base salary

The base salaries of the Executive Directors are reviewed annually and following exceptional one-off events where the individual responsibilities of the Executive Director change significantly. Salaries are benchmarked against those paid to directors in companies of a similar size and international complexity as well as those operating within comparable sectors.

The salaries of the Executive Directors were reviewed with effect from 1 November 2007 taking into account the additional responsibilities that they assumed following the appointment of a Non-Executive Chairman rather than an Executive Chairman on 1 November 2007. These reviews incorporated the annual review of Executive Directors' salaries which would otherwise have taken place on 1 January 2008.

(ii) Bonus

In respect of the year ended 31 December 2007 the Executive Directors were contractually entitled to receive a maximum bonus of 100 per cent of base salary depending on the achievement of a number of corporate and individual targets as discussed below.

It is the Company's policy that bonuses are only payable for the achievement of stretching performance targets, the majority of which are linked to the financial performance of the Company. For the year ended 31 December 2007, these targets were as follows:

1. 64 per cent of bonus: EPS performance relative to budget
2. 16 per cent of bonus: Cash flow performance relative to budget
3. 20 per cent of bonus: Personal performance.

For targets 1 and 2, 50 per cent of the maximum bonus on each part would be payable for meeting budget, the maximum bonus would only become payable for performance that was substantially in excess of budget and no bonus would be payable for performance that was substantially below budget. The Committee has reserved the overriding discretion to review aggregate bonus levels payable to Executive Directors based on the above criteria to ensure that they are appropriate taking into account the overall financial performance of the Company and its performance relative to the market. No bonuses payable to Executive Directors are pensionable. Bonuses equivalent to 99.2 per cent of salary were awarded to the Executive Directors in respect of the year ended 31 December 2007.

For the year ending 31 December 2008, bonuses payable to the Executive Directors will be measured against the same performance objectives as those used in determining the 2007 bonus entitlements of the Executive Directors save that target 2 (cash flow performance relative to budget) will be appraised both at the half year and the full year. Targets 1 (EPS performance in relation to budget) and 3 (Personal performance) will continue to be appraised at the year end.

Deferred Bonus Plan ('DBP')

One quarter of any bonus paid to Executive Directors (i.e. up to 25 per cent of salary) will be paid in shares acquired in the market and compulsorily deferred for three years under the DBP. If the Executive Director leaves voluntarily or for cause during this deferral period, his awards will normally lapse. These shares are held in trust prior to their release on vesting following the expiration of the three year deferral period.

(iii) Long-term incentives

Michael Foster's Long-term Incentive Plan (the 'MF Plan')

Michael Foster was granted an option over the Company's ordinary shares pursuant to a one-off arrangement that was put in place specifically to facilitate and secure his appointment as Commercial Director in 2005. As a result no awards were made under the MF Plan in respect of the year under review and there is no intention to make any awards under this plan in the future.

The option vests on 13 March 2008, following the announcement of the Company's Preliminary Results for the year ended 31 December 2007 and is exercisable for a period of 12 months thereafter. Two performance conditions are attached to the MF Plan.

Exercise of 50 per cent of the option requires average real earnings per share growth of 3 per cent per annum over a single three-year period whilst exercise of the remaining 50 per cent is dependent on the Company's Total Shareholder Return ('TSR') performance compared to the constituents of the FTSE 250 Index (excluding Investment Trusts). No vesting will occur for a below median TSR ranking, 50 per cent of the TSR portion of the grant will vest for a median ranking and 100 per cent will vest for a ranking within the upper quartile, with straight line vesting for intermediate performance. Benefits under the MF Plan are not pensionable.

The Committee has determined, following advice from its external remuneration consultants, NBSC, that the TSR ranking of the Company was No. 2 in the FTSE 250 Index (excluding Investment Trusts) and thus was in the upper quartile TSR ranking, and that the average real earnings per share growth over the performance period was 229 per cent above the three per cent performance condition. Accordingly the option will vest on 13 March 2008.

Charter 2005 Long-term Incentive Plan ('LTIP')

Under the LTIP, Executive Directors and selected other members of Key Management are eligible to receive awards in one of three forms: (i) conditional allocations, where a participant receives free ordinary shares in the Company automatically on vesting; (ii) nil (or nominal) cost options, where a participant can decide when to exercise his award during a short period after it has vested; or (iii) forfeitable shares in the Company, which are similar to conditional shares except that the participant has certain shareholder rights prior to vesting. The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash (either in whole or in part), although it does not intend to do so except where it would be expedient in overseas jurisdictions.

An individual may not receive awards in any financial year over shares having a market value in excess of 100 per cent of his annual salary except, in exceptional circumstances, such as recruitment or retention, where an individual may receive an award over shares worth up to 200 per cent of his annual salary.

Vesting is based on the Company's TSR performance compared to the constituents of the FTSE 250 Index (excluding investment trusts) over a single three-year period beginning on the date of the grant of the award. No vesting occurs for a below median ranking. At median, 25 per cent of the shares vest and at upper quartile 100 per cent of the shares vest. Between median and upper quartile rankings, awards vest on a straight line basis. In addition, awards only vest if the Committee is satisfied that there has been a significant improvement in the Company's underlying financial performance over the three-year performance period. Awards normally only vest on or after the third anniversary of the date of grant provided the individual remains an employee of the Company and the performance conditions and any other objective conditions have been satisfied. LTIP participants have received annual conditional awards of shares at nil cost from its inception.

During the year the Committee made five awards pursuant to the LTIP. On 22 March 2007, Michael Foster, Robert Careless, James Deeley, Jon Templeman and Bob Cleland were made conditional awards of shares and details of the awards made to the Executive Directors can be found on page 51.

(iv) Dilution

During the year the Company remained within the headroom limits set out in the ABI Guidelines 'Executive Remuneration – Policies and Practices', for the Company's existing share plans as set out below:

Total issued share capital at 31 December 2007	166,699,142
All schemes (10% in any rolling 10-year period)	5,803,621
Remaining headroom	10,866,293
Discretionary schemes (5% in any rolling 10-year period)	5,803,621
Remaining headroom	2,531,336

The Committee has the flexibility to satisfy awards pursuant to the LTIP by either a market purchase or new issue of the Company's shares. To date the Company has not bought shares to hedge the exposure to the Company's share price, however, the Committee intends to review its hedging policy closer to the date for the vesting of the first awards under the LTIP. Awards under the DBP will be satisfied by shares purchased on the market.

(v) Pensions

Michael Foster and Robert Careless are both members of the Company's HMRC approved pension scheme, providing benefits of one-thirtieth of base salary and one-forty-fifth of base salary respectively for each year of service as an Executive Director. They are both subject to a cap on pensionable earnings of £105,600 per annum and are entitled to receive, in lieu of pension over the cap, an additional 25 per cent of non-pensionable salary to the extent that their base salaries exceed this cap. These payments are included in their emoluments shown on page 50.

James Deeley is a member of the Company's HMRC approved pension scheme and is provided with benefits of one-forty-fifth of his base salary for each year of pensionable service subject to a cap on pensionable earnings of £105,600. Prior to 1 November 2007 the Company additionally contributed 9 per cent of his base salary in excess of this cap to the Company's defined contribution stakeholder pension scheme. Following 1 November 2007 in lieu of pension over the cap, Mr Deeley is entitled to receive an additional 25 per cent of non-pensionable salary to the extent that his base salary exceeds the cap. This change was made in order to align Mr Deeley's benefits with those of Messrs Foster and Careless.

Details of pension entitlements can be found in the table on page 50.

(vi) Other benefits

Further benefits contained within the remuneration packages of the Executive Directors comprise tax assessable benefits arising from employment and include car and petrol allowances, medical insurance for the Executive Directors and their immediate dependants and life assurance.

(vii) Service contracts

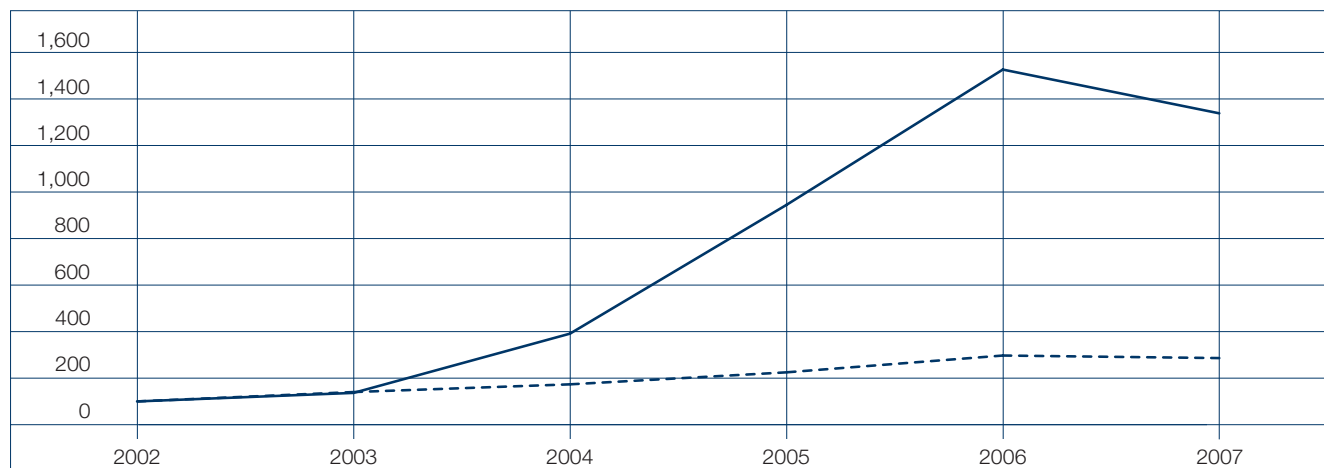
Details of the service contracts of those individuals who served as Executive Directors during the year are set out in the table below: The service contracts of all Executive Directors, other than that of David Gawler, contain a retirement age of 65.

Name	Contract date	Notice period	Contractual early termination payment
David Gawler ⁽¹⁾	01.07.06	3 months (Company) 3 months (Executive)	Not applicable
Michael Foster	03.12.04	12 months (Company) 9 months (Executive)	12 months' salary plus payment in lieu of pension benefits
Robert Careless	25.06.04	12 months (Company) 6 months (Executive)	12 months' salary plus payment in lieu of pension benefits
James Deeley	30.05.06	12 months (Company) 6 months (Executive)	Not applicable

(1) David Gawler retired on 31 October 2007.

(viii) Total shareholder return ('TSR')

TSR calculations are carried out independently by NBSC by monitoring the percentage change in the Company's share price plus dividends reinvested over a period of time. The chart below sets out the TSR generated by Charter and the TSR of the constituents of the FTSE 250 Index (excluding investment trusts) since 2002.



— Charter (total return) rebased to 100

- - FTSE 250 excluding investment trusts (total return) rebased to 100

In the opinion of the Directors, the FTSE 250 Index (excluding investment trusts) is the most appropriate index against which the TSR of Charter plc should be measured because it is an index of similar sized companies.

(b) Non-Executive Directors

The Board has delegated authority to the Executive Committee to determine the fees payable to the Chairman and the Non-Executive Directors. Non-Executive Directors are not eligible to participate in any of the Company's bonus, pension or share incentive schemes. They have standard letters of appointment that comply with the recommendations of the Combined Code. Non-Executive appointment letters are available for inspection at the Company's registered office and will be made available at the AGM.

Name	Date of appointment letter	Notice period	Term	Unexpired term
Lars Emilson	10.09.07	1 month (Company) 1 month (Director)	3 years	27 months
John Biles	12.03.08	1 month (Company) 1 month (Director)	3 years	36 months
The Hon. James Bruce	26.06.07	1 month (Company) 1 month (Director)	3 years	27 months
Grey Denham	30.01.08	1 month (Company) 1 month (Director)	3 years	35 months
John Neill	26.06.07	1 month (Company) 1 month (Director)	3 years	27 months
Andrew Osborne	30.01.08	1 month (Company) 1 month (Director)	3 years	35 months

The Committee approved a fee of £55,000 in respect of Lars Emilson on his appointment as a Non-Executive Director of the Company on 14 September 2007. When he became Chairman on 1 November 2007 the Committee approved an additional fee of £145,000 in respect of his incremental duties as Chairman. The policy is to review Non-Executive Directors' fees on an annual basis but no change was made during the year ended 31 December 2007.

(c) External appointments

No Executive Directors currently hold any external directorships of listed companies.

Remuneration report (continued)

Notes to Remuneration report

(a) Remuneration

(i) Directors' emoluments

	Salary and fees £'000	Bonuses paid in cash £'000	Bonuses paid in shares £'000	Benefits £'000	Payment in lieu of pension/pension contributions £'000	Total 2007 £'000	Total 2006 £'000
Executive Directors:							
Michael Foster ⁽¹⁾	430	320	107	17	81	955	731
Robert Careless ⁽¹⁾	264	197	65	15	40	581	462
James Deeley ⁽²⁾	215	160	53	17	12	457	180
Executive Directors total	909	677	225	49	133	1,993	1,373
Non-Executive Directors:⁽⁵⁾							
Lars Emilson ⁽³⁾	40	–	–	–	–	40	–
John Biles	55	–	–	–	–	55	55
The Hon. James Bruce	55	–	–	–	–	55	55
Grey Denham	55	–	–	–	–	55	55
John Neill	55	–	–	–	–	55	55
Andrew Osborne	55	–	–	–	–	55	55
Non-Executive Directors total	315	–	–	–	–	315	275
Former Director:							
David Gawler ⁽⁴⁾	225	–	–	–	–	225	646
Former Director's total	225	–	–	–	–	225	646
Total	1,449	677	225	49	133	2,533	2,294

(1) Following the salary review on 1 November 2007 as referred to on page 47 Michael Foster and Robert Careless receive base salaries of £500,000 and £285,000 respectively.

(2) Following the salary review on 1 November 2007 as referred to on page 47 James Deeley's base salary was increased to £250,000. His pension contribution includes, from 1 November 2007, a payment of non-pensionable salary equivalent to 25% of his base salary in excess of £105,600. Company contributions to the Company's stakeholder scheme of 9% of base salary ceased with effect from 1 November 2007.

(3) Lars Emilson was appointed as a Non-Executive Director on 14 September 2007.

(4) David Gawler resigned as Executive Chairman on 31 October 2007.

(5) Non-Executive Directors are not paid additional amounts in respect of their Chairmanship of Committees.

(6) Two (2006: 2) Directors have waived their fees from a subsidiary undertaking. Fees waived by these Directors during the year amounted to £1,200 (2006: £1,200).

(ii) Pensions and payments in lieu of pensions and life assurance

	Michael Foster £	Robert Careless ⁽¹⁾ £	James Deeley £
Accumulated total accrued pension at year end ⁽²⁾	10,600	12,500	3,300
Increase in accrued pension during year excluding inflation	3,300	2,000	2,300
Increase in accrued pension during year including inflation	3,500	2,300	2,300
Transfer value of benefits accrued during the year excluding inflation	59,800	35,700	20,400
Transfer value of benefits accrued during the year including inflation	64,400	42,300	20,700
Transfer value accrued at end of year	193,300	225,500	29,300
Transfer value at start of year	114,800	161,300	7,100
Increase in transfer value over year	78,500	64,200	22,200

(1) The accrued entitlement includes that earned by Robert Careless as an employee, prior to becoming a Director, as well as that earned for qualifying services after becoming a Director.

(2) The pension entitlement shown in the first row is the aggregate amount which would be paid annually on normal retirement based on service to the end of 2007 under the approved scheme.

(3) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

(4) The transfer value of the accrued entitlement represents the value of assets that the pension schemes would need to transfer to another pension provider on transferring the scheme's liabilities in respect of the Director's pension benefits. It does not represent sums payable to the individual Directors and, therefore, cannot be added meaningfully to annual remuneration.

(5) The transfer value of the increases in accrued benefits, required by the Listing Rules, discloses the current value of the increase in accrued benefits that the Director has earned in the period, whereas the change in his transfer value, required by the Companies Act, discloses the absolute increase or decrease in his transfer value and includes the change in value of the accrued benefits that results from market volatility affecting the transfer value at the beginning of the period, as well as additional value earned in the year.

(b) Directors' interests

(i) Shareholdings

The beneficial interests of Directors in the ordinary share capital of the Company at 31 December 2007 were as follows:

	As at 31.12.07	As at 31.12.06
Executive Directors:		
Michael Foster ⁽¹⁾	23,266	18,634
Robert Careless	5,000	5,000
James Deeley ⁽²⁾	1,000	–
Non-Executive Directors:		
Lars Emilson ⁽³⁾	3,000	–
John Biles ⁽⁴⁾	3,000	–
The Hon. James Bruce	–	–
Grey Denham	1,000	1,000
John Neill ⁽⁵⁾	57,834	48,613
Andrew Osborne	–	–

(1) Michael Foster purchased a total of 4,632 shares during the year. All shares are held by Mrs Marion Foster, a connected person to Michael Foster.

(2) James Deeley purchased a total of 1,000 shares during the year.

(3) Lars Emilson was appointed as a Non-Executive Director on 14 September 2007. He purchased a total of 3,000 shares following the appointment.

(4) John Biles purchased a total of 3,000 shares during the year.

(5) John Neill purchased a total of 9,221 shares during the year.

Changes to Directors' interests from 31 December 2007 will be provided in the Notice.

(ii) Share options and long-term incentive awards

	Grant date	Number at 1 January 2007	Granted in year	Exercised in year	Lapsed in year	Number at 31 December 2007	Exercise price	Earliest exercise date	Expiry date	Value at ⁽¹⁾ 31 December 2007
Michael Foster										
MF Plan	22.03.05	149,089	–	–	–	149,089	217.99p	March 08	March 09	858,022
LTIP	24.03.06	46,378	–	–	–	46,378	Nil	24.03.09	–	368,009
LTIP	22.03.07 ⁽²⁾	–	46,673	–	–	46,673	Nil	22.03.10	–	370,350
Total		195,467	46,673	–	–	242,140				1,596,381
Robert Careless										
LTIP	06.10.05	52,439	–	–	–	52,439	Nil	06.10.08	–	416,103
	24.03.06	30,691	–	–	–	30,691	Nil	24.03.09	–	243,533
	22.03.07 ⁽²⁾	–	29,170	–	–	29,170	Nil	22.03.10	–	231,463
Total		83,130	29,170	–	–	112,300				891,099
James Deeley										
LTIP	10.07.06	19,257	–	–	–	19,257	Nil	10.07.09	–	152,804
	22.03.07 ⁽²⁾	–	23,336	–	–	23,336	Nil	22.03.10	–	185,171
Total		19,257	23,336	–	–	42,593				337,975

(1) Value of options under the MF Plan at 31 December 2007 shows the differences between the market price of the shares at 31 December 2007 and the exercise price of the options, multiplied by the number of options. The value of the awards under the LTIP shows the number of the awards held multiplied by the market price of the Company's shares at 31 December 2007. The assumption is that the maximum number of options/awards vested in accordance with the performance conditions described on page 48.

(2) The number of shares granted on 22 March 2007 is the share equivalent of 100 per cent of the base salary based on the average of the mid-market closing values of the Company's shares for the 5 dealing days ending on 22 March 2007 of 891.3 pence.

(3) The price of an ordinary share on 22 March 2007 was 913 pence. During the year, the range of share prices was 728.5 pence to 1,245 pence, with the price on 31 December 2007 being 793.5 pence.

(4) The performance conditions applying to any of the above awards are as described on page 48.

By order of the Board

The Hon. James Bruce

Chairman of the Remuneration Committee

12 March 2008