

CATALYTIC SOLUTIONS, INC. (the “Company”)

THE REMUNERATION AND NOMINATION COMMITTEE

TERMS OF REFERENCE

(Adopted by the board of directors of the Company on 15 November 2006; amended 14 October 2009)

- 1 There shall be a Committee of the board of directors to be known as the "Remuneration Committee and Nomination Committee" (the “**Committee**”).
- 2 Each member of the Committee shall be a non-executive director and a majority of the committee shall be independent non-executive directors. A quorum shall be two members.
- 3 The board of directors will nominate one of the independent members of the Committee to act as Chairman of the Committee. The Company Chairman shall not act as chairman of the Committee.
- 4 The Committee should make available these terms of reference, explaining its role and the authority delegated to it by the board.
- 5 Appointments to the Committee shall be for a period of up to three years, which may be extended for one further three year period.
- 6 The Company Secretary or such other person as the Committee shall nominate for the purpose shall be the secretary of the Committee and shall keep appropriate minutes of its proceedings which shall be circulated to all members of the Committee and the Company Chairman an once agreed, to all members of the board of directors, unless a conflict of interest exists.
- 7 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as other non-executive directors and the Chief Executive of the Company and its subsidiaries (the “**Group**”) may be invited to attend for all or part of any meeting, as and when appropriate, and in any event, shall be consulted by the Committee on proposals relating to the remuneration of the other executive directors.
- 8 Meetings of the Committee shall be held not less than twice a year and at such other time as the Chairman of the Committee shall require.
- 9 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.
- 10 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all (if any) other non-executive directors, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 11 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.
- 12 The Committee shall be authorised to take such external advice as it shall consider appropriate to determine the remuneration, terms of service and incentives of the executive directors and such other members of the senior executive management of the Group as it is designated to consider.
- 13 The Committee shall have no authority in relation to the remuneration of the non-executive directors.

14 The duties of the Committee in respect of remuneration shall be:

- (a) to determine and agree with the board of directors the framework or broad policy for the remuneration of the Company's Chairman, Chief Executive and other executive directors and such other members of the senior executive management of the Group as it is designated to consider, including pension rights and any compensation payments. The remuneration of non-executive directors shall be a matter for the executive members of the board of directors. No director shall be involved in any decisions as to his or her own remuneration;
- (b) in determining such policy, to take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the senior executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- (c) to review the ongoing appropriateness and relevance of the remuneration policy;
- (d) to approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- (e) to review the design of all share incentive plans adopted by any member of the Group for approval by the board of directors and, if applicable, shareholders and, for any such plans, to determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive directors and, if applicable, other senior executives of the Group and the performance targets to be used;
- (f) to determine the policy for, and scope of, pension arrangements for each Executive Director and other senior executives of the Group;
- (g) to ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- (h) within the terms of the agreed policy and in consultation with the Chief Executive Officer as appropriate, determine the total individual remuneration package of the Chief Financial Officer, Chief Operating Officer of the Group and other senior executive management of the Group including bonuses, incentive payments and share options or other share awards;
- (i) in determining such packages and arrangements, to give due regard to any relevant legal requirements and provisions and recommendations in the Combined Code and in the AIM Rules and associated guidance;
- (j) to review and note annually the remuneration trends across the Group;
- (k) to oversee any major changes in employee benefits structures throughout the Group;
- (l) to agree the policy for authorising claims for expenses from the Chief Executive Officer of the Group and other executive directors;
- (m) to ensure that all provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled; and

- (n) to be exclusively responsible for establishing the selection criteria, and for selecting, appointing and setting the terms of reference for, any remuneration consultants who advise the Committee and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

15 The duties of the Committee in respect of nominations shall be:

- (a) to regularly review the structure, size and composition (including the skills, knowledge and experience) required of the board of directors compared to its current position and make recommendations to the board of directors with regard to any changes;
- (b) give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed on the board of directors in the future;
- (c) be responsible for identifying and nominating, for the approval of the board of directors, candidates to fill board of directors vacancies as and when they arise;
- (d) before making an appointment, evaluate the balance of skills, knowledge and experience on the board of directors, 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:
 - (i) use open advertising or the services of external advisers to facilitate the search;
 - (ii) consider candidates from a wide range of backgrounds; and
 - (iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- (e) keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- (f) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- (g) review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties; and
- (h) ensure that on appointment to the board of directors, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

16 In addition, the Committee shall make recommendations to the board of directors concerning:

- (a) plans for succession for both executive and non-executive directors and in particular for the key roles of Company Chairman and Chief Executive;
- (b) suitable candidates for the role of senior independent director;

- (c) membership of the Audit Committee and the Remuneration and Nomination Committee, in the case of the Audit Committee, in consultation with that Committee's chairman;
 - (d) the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the board of directors in the light of the knowledge, skills and experience required;
 - (e) the continuation (or not) in service of any director who has reached the age of 70;
 - (f) the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's articles of association having due regard to their performance and ability to continue to contribute to the board of directors in the light of the knowledge, skills and experience required; and
 - (g) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract.
- 17 For the appointment of a chairman of the board of directors, the Committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chairman's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and included in the next annual report. No individual should be appointed to a second chairmanship of a FTSE 100 company.
- 18 The chairman of the Committee shall report formally to the board of directors on its proceedings after each meeting on all matters within its duties and responsibilities.
- 19 The Committee shall make whatever recommendations to the board of directors it deems appropriate on any area within its remit where action or improvement is needed.
- 20 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the AGM. The Annual Report shall report the frequency of, and attendance by members at Committee meetings.
- 21 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board of directors for approval.
- 22 The Committee is authorised by the board of directors to seek any information it requires from any employees of the Group in order to perform its duties.
- 23 In connection with its duties the Committee is authorised by the board of directors to obtain, at the Company's expense, any outside legal or other professional advice.

In these Terms of Reference, "Combined Code" shall mean the corporate governance code (July 2003) issued by the Financial Reporting Council, as amended, revised or superseded from time to time and the Corporate Governance Guidelines for AIM Companies published by Quoted Companies Alliance from time to time.