

## VELOCYS PLC

### REMUNERATION COMMITTEE TERMS OF REFERENCE AS ADOPTED BY BOARD RESOLUTION ON 5 APRIL 2017

References to the "**Committee**" shall mean the Remuneration Committee. References to the "**Board**" shall mean the full Board of Directors.

#### 1. MEMBERSHIP

- 1.1 Members of the Committee shall be appointed by the Board, in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least three members, all of whom are independent non-executive directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided that there continues to be at least two independent non-executive directors on the Committee.
- 1.4 The Board shall appoint the Chairman of the Committee who shall be an independent non-executive director. In the absence of the Chairman of the Committee, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be Chairman of the Committee.
- 1.5 The Board may determine that an additional fee is payable to the Chairman of the Committee for his/her services.

#### 2. SECRETARY

The Company Secretary or their nominee shall act as the Secretary of the Committee.

#### 3. QUORUM

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### 4. MEETINGS

The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.

#### 5. NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
- 5.2 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 other non-executive

directors, no later than 5 working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time if possible and, if not possible, with reasonable time for review prior to the meeting.

## 6. **MINUTES OF MEETINGS**

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to the Chairman of the Board, for further distribution if appropriate, prior to the next meeting of the Committee.

## 7. **ANNUAL GENERAL MEETING**

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## 8. **DUTIES**

8.1 For approval by the Board, the Committee shall:-

- 8.1.1 propose the framework or broad policy for the remuneration of the company's Chief Executive, Chairman (whether such role is executive or non-executive), the executive directors and the company secretary;
- 8.1.2 express its views on the structure and level of remuneration for members of SMT, in relation to each other, executive directors and the company as a whole;
- 8.1.3 review the general compliance with laws and applicable regulations of the company's remuneration policy for executives and other personnel and also its effectiveness in recruiting and retaining staff, encouraging enhanced performance and, in a fair and responsible manner, rewarding them for their individual contributions to the success of the company;
- 8.1.4 approve the design of, and proposed targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;
- 8.1.5 approve the design of, and proposed targets for any share incentive (or similar) plans for approval by the Board and shareholders. For such plans, once approved, recommend each year whether awards will be made and, if so, the overall amount of such awards and the individual awards to executive directors;
- 8.1.6 determine the policy for, and scope of, pension arrangements for each executive director and report on same for other senior executives;
- 8.1.7 review for ongoing appropriateness, relevance and general compliance the Company's policies on recruitment, training and development, succession planning, termination and diversity, from time to time as instructed by the Board;

- 8.1.8 within the terms of the agreed policy and in liaison with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of each executive director including bonuses, incentive payments and share options or other share awards, and relocation packages and other emoluments;
  - 8.1.9 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Corporate Governance Code and the UK Listing Authority's Listing Rules and associated guidance and similar codes and guidance in other jurisdictions as may be applicable in respect of the individuals mentioned in 8.1.8;
  - 8.1.10 review and note annually the remuneration trends across the company or group;
  - 8.1.11 review the framework of contractual terms for directors and senior employees, and any material changes negotiated thereto, to ensure that contractual terms applicable 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;
  - 8.1.12 liaise with the Chairman or Chief Executive as appropriate, in the event of the proposed termination of employment of an executive director and the terms thereof;
  - 8.1.13 approve any major changes in employee benefits structures throughout the company or group;
  - 8.1.14 approve the policy for authorising claims for expenses from the Chief Executive and Chairman;
  - 8.1.15 ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Corporate Governance Code are fulfilled;
  - 8.1.16 choose remuneration consultants to advise the committee and provide information about remuneration in other companies. The Committee shall have authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations, liaising with the Board on budgets in relation thereto; and
  - 8.1.17 approve any share reward or savings schemes proposed for staff other than as defined above.
- 8.2 The remuneration of non-executive directors shall be a matter for the executive members of the Board.
- 8.3 No director or manager shall be involved in any decisions as to their own remuneration.

## 9. **REPORTING RESPONSIBILITIES**

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 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.

10. **OTHER**

The Committee shall review and report to the Board annually on its own performance and every three years on its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval. In conducting its review, the Committee shall solicit the views of all Board members.

11. **AUTHORITY**

11.1 The Committee is authorised by the Board to seek any information it requires from any employee of the company in order to perform its duties.

11.2 In connection with its duties the Committee is authorised by the Board to obtain, at the company's expense, any outside legal or other professional advice, liaising with the Board on the scope and budget therefor.