

MERCIA TECHNOLOGIES PLC

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

ADOPTED BY RESOLUTION OF THE BOARD ON 8 DECEMBER 2014

1. DEFINITIONS

In this document:-

- (a) reference to the "**Board**" shall mean the Board of Directors of the Company;
- (b) reference to the "**Chairman**" shall mean the chairman of the Board;
- (c) reference to the "**Committee**" shall mean the Remuneration Committee of the Board;
- (d) reference to the "**Committee Chairman**" shall mean the member appointed as the chairman of the Committee; and
- (e) reference to the "**Company**" shall mean Mercia Technologies PLC.

2. MEMBERS

The members of the Committee for the time being shall be:

- Ian Metcalfe (Committee Chairman)
- Ray Chamberlain; and
- Susan Searle.

3. PURPOSE

3.1 The Committee is appointed by the Board to assist the Board in setting director and senior officer (being those persons described at paragraphs 11.2.1 and 11.2.2 below) remuneration and to develop and submit to the Board recommendations with respect to other employee benefits considered advisable. The Committee will be guided by the following principles:-

3.1.1 to offer competitive remuneration to attract, retain and motivate qualified executives in order for the Company to achieve the strategic plan and budgets approved by the Board; and

3.1.2 act in the interests of the Company by being financially responsible.

4. MEMBERSHIP

4.1 The Committee shall comprise of at least three members, all of whom shall be independent non-executive directors, within the meaning of Applicable Laws (as defined below). The Chairman may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee and in consultation with the Committee Chairman.

4.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the Head of Human Resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.

4.3 Appointments to the Committee shall be for a period of up to three (3) years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

4.4 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under the terms of reference to be appointed to that position by the Board. The Chairman shall not be the Committee Chairman.

4.5 The Committee shall meet all applicable securities laws, instruments, rules and policies and regulatory requirements (collectively "**Applicable Laws**"), including relating to independence within the meaning of Applicable Laws.

5. **SECRETARY**

The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all issues .

6. **QUORUM**

6.1 The quorum necessary for the transaction of business shall be any two (2) members. 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.

7. **MEETINGS**

7.1 The Committee shall meet at least twice a year and otherwise as required at the discretion of the Committee Chairman or a majority of the members or as may be required by Applicable Laws. Meetings of the Committee may be held by conference telephone.

7.2 Notwithstanding the quorum requirements for the Committee, all members of the Committee should endeavour to attend all meetings of the Committee at which matters of general remuneration policy or the contents of the Committee's annual report to shareholders are discussed.

7.3 The Committee should hold an in camera session (meaning a closed session in which sensitive matters are discussed) without any senior officers present at each meeting.

7.4 The Committee shall report through the Committee Chairman its determinations and recommendations to the Board.

8. **NOTICE OF MEETINGS**

8.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.

8.2 Unless otherwise agreed by consent of all members in writing, 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 five 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.

9. **MINUTES OF MEETINGS**

9.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

9.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board, unless it would be inappropriate to do so.

10. ANNUAL GENERAL MEETING

The Committee Chairman should attend the Annual General Meeting (“**AGM**”) prepared to respond to any shareholder questions on the Committee’s activities.

11. DUTIES

11.1 The Committee should carry out the duties below for the Company, any parent company, major subsidiary undertakings and the group as a whole, as appropriate.

11.2 The Committee shall:-

- 11.2.1 determine and agree with the Board the framework or broad policy for the remuneration of the Company’s Chief Executive Officer (“**CEO**”), the Chief Financial Officer, the Chairman or any executive director (collectively the “**Senior Executives**”) and all other executive directors, the Company Secretary, and such other members of the executive management as it is designated by the Board to consider. No director, officer or manager shall be involved in any decisions as to their own remuneration;
- 11.2.2 recommend and monitor the level and structure of remuneration for senior management (as determined by the Board);
- 11.2.3 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the long-term success of the Company;
- 11.2.4 when setting the remuneration policy for directors (in particular in respect of annual salary increases), review and have regard to the remuneration trends across the Company or group;
- 11.2.5 review the ongoing appropriateness and relevance of the remuneration policy;
- 11.2.6 within the terms of the agreed policy and in consultation with the Chairman and/or CEO, as appropriate, annually reviewing and recommending the total individual remuneration package of the Senior Executives, directors and other officers of the Company, including bonuses, incentive payments and share options or other share awards;
- 11.2.7 review and approve corporate goals and objectives relevant to CEO remuneration, evaluate the CEO’s performance in light of those corporate goals and objectives, and determine the CEO’s remuneration level based on this evaluation.
- 11.2.8 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;
- 11.2.9 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 11.2.10 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;

- 11.2.11 review, and make a recommendation to the Board with respect to, any share ownership guidelines applicable to Senior Executives and directors and review the shareholdings of the Senior Executives and directors based on such guidelines established from time to time.
- 11.2.12 review the design of all equity-based incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Senior Executives, executive directors and other designated officers, and the performance targets to be used;
- 11.2.13 determine the policy for, and scope of, pension arrangements for each Senior Executive, executive director and designated officers;
- 11.2.14 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;
- 11.2.15 oversee any major changes in employee benefits structures throughout the Company or group;
- 11.2.16 review, and make a recommendation to the Board with respect to, any disclosure related to executive remuneration included in any public disclosure document, including any management information circular of the Company for any meeting of the shareholders of the Company and review and approve the report on executive remuneration required by Applicable Laws to be included in any public disclosure document, including any management information circular of the Company ;
- 11.2.17 agree the policy for authorising claims for expenses from the directors; and
- 11.2.18 work and liaise as necessary with all other Board committees.

12. REPORTING RESPONSIBILITIES

- 12.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3 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. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 12.4 Through the Chairman, the Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.

13. OTHER

The Committee shall:-

- 13.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
- 13.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

- 13.3 at all times give due consideration to the provisions and recommendations in the Quoted Companies Alliance ("**QCA**") Corporate Governance Code for Small and Mid-size Quoted Companies, the QCA's Remuneration Committee Guide for Smaller Quoted Companies and the requirements of the AIM Rules for Companies (including the Note for Investing Companies), the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other Applicable Laws, as well as guidance published by the Association of British Insurers and the National Association of Pension Funds, as appropriate; and
- 13.4 arrange for periodic reviews of its own performance and, at least annually, review 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.

14. CHAIRMAN

The Committee Chairman should:-

- 14.1 provide leadership to the Committee and oversee the functioning of the Committee;
- 14.2 chair meetings of the Committee, unless not present, including in camera sessions, and report to the Board following each meeting of the Committee on the activities, and any recommendations and decisions, of the Committee and otherwise at such times and in such manner as the Committee Chairman considers advisable;
- 14.3 ensure that the Committee meets at least twice per financial year of the Company and otherwise as is considered advisable;
- 14.4 in consultation with the Chairman and the members, establish dates for holding meetings of the Committee;
- 14.5 set the agenda for each meeting of the Committee with input from other members, the Chairman and any other appropriate individuals;
- 14.6 ensure that Committee materials are available to any director upon request;
- 14.7 act as liaison and maintain communication with the Chairman and the Board to co-ordinate input from the Board and to optimise the effectiveness of the Committee;
- 14.8 report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;
- 14.9 assist the members of the Committee to understand and comply with the responsibilities contained in these terms of reference;
- 14.10 foster ethical and responsible decision making by the Committee;
- 14.11 together with the nomination committee, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;
- 14.12 ensure appropriate information is provided to the Committee by the Senior Executives to enable the Committee to function effectively and comply with the responsibilities contained in these terms of reference;
- 14.13 ensure that appropriate resources and expertise are available to the Committee;
- 14.14 ensure that the Committee considers whether any independent counsel or other experts or outside advisors retained by the Committee are appropriately qualified and independent in accordance with Applicable Laws;
- 14.15 facilitate effective communication between the members of the Committee and the Senior Executives;

- 14.16 attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Company to respond to any questions from shareholders which may be asked of the Committee; and
- 14.17 perform such other duties as may be delegated to the Committee Chairman by the Committee or the Board from time to time.

15. AUTHORITY

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.