

DEFENX PLC (Company)

Remuneration committee

Terms of reference

1. Purpose

The purposes for which the remuneration committee (**Committee**) is established are to ensure that:

- 1.1 independent non-executive directors determine and review the remuneration of executives on behalf of the board of directors of the Company (**Board**); and
- 1.2 the remuneration policies and packages attract, retain and motivate quality directors whilst not paying more than is necessary for this purpose.

2. Authority

- 2.1 The Committee is authorised to investigate and undertake any activity within these terms of reference. It is authorised to seek any information it properly requires from any employee of the Company or of any of its subsidiary companies. All employees are directed by the Board to co-operate as regards any request made by the Committee.
- 2.2 If the Committee considers it necessary so to do, it is authorised to obtain appropriate external legal and other professional advice to assist it in the performance of its duties, to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend meetings of the Committee. The cost of obtaining any advice or services will be paid by the Company within limits authorised by the Board. The chairman of the Board will be informed before external advice is sought and consulted about the Committee's proposals relating to the remuneration of executive directors.

3. Composition

- 3.1 The Committee shall consist exclusively of non-executive directors, the majority of whom as determined by the Board shall be (a) independent, and (b) have no personal financial interest (except as to fees, shares and options) in the Company's decisions.
- 3.2 The Committee shall comprise no fewer than two members appointed by the Board in consultation with the chairman of the Committee (Chairman).
- 3.3 The Chairman, who will also be an independent non-executive director, will be appointed by the Board. In the absence of the Chairman and any appointed deputy, the remaining members will elect one of themselves to chair the meeting.
- 3.4 Appointments to the Committee will be for a period of up to three years, which may be extended for two further three year periods, but only if the relevant member remains an independent non-executive director.
- 3.5 The members of the Committee can be varied at any time by a majority resolution of the existing members of the Committee save that any additional member must be an independent non-executive director.
- 3.6 The secretary to the Committee will be the company secretary.

4. Meetings

- 4.1 The Committee will meet at least twice each year at appropriate times.
- 4.2 Meetings of the Committee will be summoned by the secretary of the Committee at the request of the Chairman.

- 4.3 Only members of the Committee may attend Committee meetings. Other individuals such as the CEO, any head of human resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 4.4 The quorum for any meeting of the Committee is two members. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 4.5 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, will be forwarded by the secretary of the Committee 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 will be sent to Committee members and to other attendees as appropriate, at the same time.
- 4.6 The secretary of the Committee will prepare minutes of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 4.7 The secretary of the Committee must promptly circulate minutes of Committee meetings to all members of the Committee and, once agreed, to all members of the Board.

5. Voting arrangements

- 5.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 5.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 5.3 Except where he has a personal interest, or where there are only two members of the Committee, the Chairman will have a casting vote.

6. Duties

The Committee will:

- 6.1 determine and agree with the Board the framework or broad policy for the remuneration of the Company's CEO, other executive directors, the company secretary and any other members of the executive management as it is designated to consider. The remuneration of non-executive directors will be a matter for the chairman and the executive members of the Board. No director or manager may be involved in any decisions as to their own remuneration. In determining such policy, the Committee will take into account all factors that it deems necessary. The objective of the policy will 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 success of the Company;
- 6.2 review the ongoing appropriateness and relevance of the remuneration policy;
- 6.3 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;
- 6.4 review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, the Committee will determine each year whether awards will be made, and if so, the overall amount of such awards, the individual

- awards to executive directors and other senior executives and the performance targets to be used;
- 6.5 determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
 - 6.6 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;
 - 6.7 within the terms of the agreed policy and in consultation with the chairman of the Board and/or CEO as appropriate, determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards. In determining such packages and arrangements, the Committee will give due regard to any relevant legal requirements, the UK Corporate Governance Code, the Quoted Companies Alliance corporate governance code for small and mid-sized quoted companies, the AIM Rules, and associated guidance;
 - 6.8 review and note annually the remuneration trends across the Company or group;
 - 6.9 oversee any major changes in employee benefits structures throughout the Company or group;
 - 6.10 agree the policy for authorising claims for expenses from the CEO;
 - 6.11 ensure that all provisions regarding disclosure of remuneration as set out in the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (SI 2013/1981) are fulfilled;
 - 6.12 be exclusively responsible for establishing the selection criteria and selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and will obtain reliable, up-to-date information about remuneration in other companies. The Committee will have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations; and
 - 6.13 consider such other matters as may be requested by the Board.

7. Reporting

- 7.1 The Chairman will report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 7.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its terms of reference where action or improvement is needed.
- 7.3 The Committee will 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 annual general meeting.
- 7.4 The Chairman will attend the annual general meeting prepared to answer shareholders' questions on the Committee's activities.

8. Other matters

The Committee shall:

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

- 8.3 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 for approval.

Adopted at the meeting of the board of directors held on 22 May 2017.