

KRM22 plc

Remuneration Committee

Terms of Reference

April 2018

KRM22 plc (the “Company”)

Terms of Reference for the Remuneration Committee

1. Constitution

The committee has been established by resolution of the board of directors of the Company (the “Board”) and is to be known as the Remuneration Committee (the “Committee”).

2. Membership

2.1 The members of the Committee shall be appointed by the Board from amongst the directors of the Company, on recommendation of the Nomination Committee in consultation with the Chairman of the Committee and shall consist of preferably three members but not less than two members. All members of the Committee shall be non-executive director directors of the Company, a majority of whom shall be independent.

2.2 The Chairman of the Committee shall be a non-executive director director who shall be appointed by the Board and shall not be the Chairman of the Board where he or she is employed in an executive director capacity.

2.3 The Committee may at each meeting appoint one of their number to be the Secretary of the Committee who may be the Chairman of the Committee.

2.4 Each member of the Committee shall disclose to the Committee:

(a) any personal, financial or other interest in any matter to be decided or discussed by the Committee; and/or

(b) any potential conflict of interest arising from a cross-directorship or otherwise; and

any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee or absent himself from all or part of the meeting of the Committee in question.

2.5 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Appointments to the Committee shall be for a period of up to three 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.

2.6 Membership of the Committee shall be noted in the annual directors’ report of the Company and on the Company’s website.

3. Attendance at Meetings

3.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the Chief Operating Officer, any other member of the Board and external advisers may be invited to attend for all or part of any meeting as and when appropriate, but such persons have no right of attendance.

- 3.2 No member of the Board shall participate at a meeting of the Committee (or during the relevant part) at which any part of his remuneration (including his options) is being discussed or participate in any recommendation or decision concerning his remuneration (including his options).

4. **Proceedings at Meetings**

- 4.1 A quorum for a meeting of the Committee shall be two 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.
- 4.2 Meetings may be held by telephone although the Board encourages the members to meet face to face wherever possible.
- 4.3 Subject as provided in paragraphs 2.4 and 0, each member of the Committee shall have one vote. In the event of an equality of votes, the Chairman of the Committee shall have a second or casting vote (again subject as provided in paragraphs and 2.4 and 0 above). In the absence of the Chairman or any appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

5. **Frequency of Meetings**

Meetings shall be held not less than once a year and at such other times as the Chairman of the Committee shall require. The chairman of the Board may request a meeting if he/she reasonably considers that one is necessary.

6. **Notice of Meetings**

- 6.1 Meetings of the Committee shall be summoned by the Secretary or Chairman of the Committee at the request of any of its members.
- 6.2 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 by the Secretary or Chairman of the Committee to each member of the Committee, any other person required to attend and all other non-executive director directors, no later than five working days (which notice may be waived by any director) before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. **Minutes of a Meetings**

- 7.1 The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2 The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8. **Annual General Meeting**

The Chairman of the Committee shall attend the annual general meeting of the Company and be available to respond to any shareholder questions on the Committee's activities.

9. **Authority**

- 9.1 The Committee is authorised by the Board to investigate and undertake any matter within its terms of reference. It is authorised to seek any information it properly requires from any director, employee or professional adviser and all directors, employees and professional advisers are directed to co-operate with any requests made by the Committee.
- 9.2 The Committee is authorised by the Board to obtain outside legal, accounting or other professional advice and the advice of independent remuneration consultants and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. It is envisaged that in obtaining outside advice the Committee will act in conjunction with the chairman of the Board. The cost of obtaining such advice or services shall be borne by the Company and any fees of more than £10,000 will require Board approval.

10. Purpose

The purpose of the Committee is to:

- (a) ensure that the executive directors and other key employees of the Company (together, “**Executive Directors**”) are fairly rewarded for their individual contribution to the overall performance of the Company; and
- (b) demonstrate to the shareholders of the Company that the remuneration of the Executive Directors are set by a committee of the Board whose members have no personal interest in the outcome of the decisions of the Committee and who will have due regard to the interests of shareholders of the Company.

11. Duties

The duties of the Committee are:

In relation to the remuneration of the executive directors:

- (a) to determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive Officer, the Chief Operating Officer, the Chairman of the Board (where executive director), and other Executive Directors as it is designated to consider. No director or manager shall be involved in any decisions as to their 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 executive director directors 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 provide the packages needed to attract, retain and motivate executive director directors of the quality required (but avoid paying more than is necessary for this purpose) and to co-ordinate closely with the Company’s nomination committee (if any) in relation to the remuneration to be offered to any new executive director;
- (d) within the terms of the agreed policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer as appropriate, determine the total individual remuneration package of each executive director including bonuses, incentive payments and share options or other share awards;
- (e) to consider whether the executive directors should be eligible for annual bonuses and, if so, to consider an upper limit for such bonuses;

- (f) to consider where to position the Company relative to other companies and to be aware what comparable companies are paying, taking account of relative performance and using such comparisons with caution;
- (g) when considering the remuneration of the executive directors, to be sensitive to the wider scene, including pay and employment conditions elsewhere in the Company's group, especially when determining annual salary increases;
- (h) to approve the terms of any service agreement to be entered into with any executive director, bearing in mind that the performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive directors and should be designed to align their interests with those of the shareholders of the Company;
- (i) review the design of all share 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, timing, exercise price and conditions of such awards, the individual awards to executive directors and the performance targets to be used and to consider whether the executive directors should be eligible for benefits under long-term incentive schemes and to weigh traditional share option schemes against other kinds of long-term incentive schemes;
- (j) to approve any amendments to be made to the rules of the share options schemes or the adoption of a new replacement scheme of the Company or its subsidiaries (except where such amendments require shareholder approval);
- (k) determine the policy for, and scope of, pension arrangements for each executive director and other senior executive directors and to consider the pension consequences and associated costs to the Company of basic salary increases and other changes in remuneration, especially for executive directors close to retirement;
- (l) 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;
- (m) to consider and determine what compensation commitments (including pension contributions) the executive directors' service agreements, if any, would entail in the event of early termination. Particular consideration should be given to the advantages of providing explicitly in the initial contract for such compensation commitments except in the case of removal for misconduct;
- (n) in early termination cases where the initial contract does not explicitly provide for compensation commitments, to tailor its approach (within legal constraints) to the circumstances. The Committee should consider that poor performance is not rewarded, while dealing fairly with cases where departure is not due to poor performance and to take a robust line on reducing compensation to reflect departing executive directors' obligations to mitigate loss;
- (o) in determining such packages and arrangements, give due regard to any relevant legal requirements, including the provisions and recommendations in the UK Corporate Governance Code and associated guidance and any published guidelines regarding the remuneration of directors of companies whose shares are traded on AIM (as applicable);

In relation to the remuneration policies and schemes for the Group's employees:

- (p) approve the design of, and determine group targets for, bonuses, performance related pay schemes, share and option schemes and approve the total annual payments made under such schemes;

- (q) review the ongoing appropriateness and relevance of the remuneration policy;
- (r) review annually the remuneration of the all Executive Directors and of senior employees earning over £100,000 (or another value as determined by the Board) and all investee Founders and CEOs. The Remuneration Committee does not need to approve the salaries and benefits of non-directors but should have access to this information at all times.

In relation to disclosure:

- (s) ensure that all financial reporting and corporate governance provisions regarding disclosure of remuneration packages, structures, policy, including pensions are fulfilled;
- (t) appoint and set the terms of reference for any remuneration consultants who advise the Committee;

In relation to all other matters:

- (u) to consider other matters as referred to the Committee by the Board.

12. Exclusions

The remuneration of the Company's non-executive director directors (including the Chairman of the Board if a non-executive director) shall be a matter for the Chairman of the Board (if executive director) and the Company's executive director directors. Further, no director or manager of the Company shall be involved in any decisions as to their own remuneration.

13. The Committee

- 13.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 13.2 The Committee shall 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 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 for approval.
- 13.4 The Committee shall make available its terms of reference for inspection at the registered office of the Company or on its website.

14. Reporting Procedures

- 14.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 14.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

15. **General**

- 15.1 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.
- 15.2 Any of the terms set out in this document may be varied by a resolution of the Board.

Adopted at a meeting of the Board held on 24 April 2018.