

SCIENCE GROUP PLC
THE REMUNERATION COMMITTEE

Terms of reference

(Adopted by the board on 28 April 2009. Updated 1 January 2016 and ratified by the Board 25 February 2016. Updated 27 September 2018 and ratified by the Board 17 October 2018)

1. The Remuneration Committee

The Remuneration Committee:

- a) is a subcommittee of the board and shall make recommendations to the board on general policy and determine on behalf of the board specific remuneration packages for the chairman, the executive directors and senior executives;
- b) is composed of the non-executive directors with a quorum of two; has a primary responsibility of reviewing remuneration, in its widest sense (see below) and ensuring that it is adequate for current employees as to suitably tie them into our company and also of a sufficient level to attract high calibre employees; and
- c) will meet sufficiently frequently and for long enough to perform its duties effectively.

2. Membership

- 2.1. There should be a minimum of two members.
- 2.2. Membership should be confined to non-executive directors.
- 2.3. The majority of members apart from directors' fees and shareholdings should be independent of management and free from any involvement which might significantly interfere with their ability to judge matters independently.
- 2.4. The company secretary shall be the committee secretary and proper minutes shall be kept of its proceedings which shall be circulated to all directors of the company.

3. Meetings

- 3.1. Remuneration Committee meetings shall be held not less than once a year.
- 3.2. The chief executive and/or finance director may attend meetings by invitation of the Remuneration Committee, without being members.
- 3.3. The chairman may be a formal member of the Remuneration Committee. Where the chairman is not a formal member, he should be invited to attend and be invited to express his views. The chairman should not be present when his own salary is decided or when decisions are taken on performance targets for incentive arrangements in which he participates.
- 3.4. Although not a member of the Remuneration Committee, on occasion and for matters not related to himself, the chief executive may be invited to attend meetings of the Remuneration Committee and, in any event, shall be consulted by the Remuneration Committee on proposals relating to the remuneration of the other executive directors and of the senior executives of the group.

4. Chair

The members of the Remuneration Committee will elect one of the members of the Remuneration Committee to act as chair of the Remuneration Committee and he will be responsible for:

- a) preparing the agenda;
- b) the timely distribution of the agenda and any supporting papers;
- c) reporting to the board on issues and decisions made;
- d) answering questions about the Remuneration Committee's work at the AGM; and
- e) briefing any consultants retained to provide independent advice on market practice (and for which advice a budget should be provided, when necessary).

5. Remuneration

'Remuneration' is not confined simply to salaries and bonuses. It now has a wider definition and includes pension arrangements, share options, Share Save schemes, employees' share ownership schemes (ESOP's), Funded Unapproved Retirement Benefit Schemes (FURBS) and anything that is intended as 'pay' for any employee. It also includes fringe benefits e.g. company cars, use of company premises for living purposes and so on. Many of these matters will be covered in service agreements but the Remuneration Committee should determine not only the company's overall policy but also appropriate individual cases. Policy will also involve the purpose of objective of remuneration.

6. Authorisation

6.1. The Remuneration 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 senior executives.

6.2. The Remuneration Committee shall have no authority in relation to the remuneration of the non-executive directors.

7. Duties

7.1. The Remuneration Committee shall have regard to and shall comply with the UK Corporate Governance Code relating to remuneration committees or remuneration of directors and senior executives, so far as practicable for a company of the size and nature as the company, and shall also have regard to any authoritative best practice guidelines for remuneration committees published from time to time.

7.2. The Remuneration Committee shall:

- a) review and determine on behalf of the board specific remuneration and incentive packages for each of the company's executive directors and senior executives (including pension rights and any compensation payments) to ensure that the executive directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance; the review of remuneration and incentive packages should be both on appointment and on each occasion that changes to those packages are proposed;
- b) review workforce remuneration and related policies;

- c) keep under review the remuneration and all other benefits of all executive directors and senior executives and managers;
- d) in determining the remuneration and incentive packages of individual executive directors and senior executives, the Remuneration Committee should:
 - i. provide the packages needed to attract, retain and motivate executive directors and senior executives of the quality required but should avoid paying more than is necessary for this purpose;
 - ii. judge where to position the company relative to other companies, the Remuneration Committee should be aware of what comparable companies are paying and should take account of relative performance – but the Remuneration Committee should use such comparisons with caution, in view of the risk that they can result in an upward ratchet of remuneration levels with no corresponding improvement in performance;
 - iii. be sensitive to the wider scene, including pay and employment conditions elsewhere in the group especially when determining annual salary increases;
 - iv. include performance-related elements of remuneration as a significant proportion of the total remuneration packages and those elements should be designed to align the interest of executive directors and senior executives with those of shareholders and give keen incentives to perform at the highest levels;
 - v. address the provisions in Provision 40 to the UK Corporate Governance Code, so far as practicable to the company given its size and nature;
- e) make recommendations from time to time to the board on the introduction, variation or discontinuance of all forms of reward to the same persons, whether in case or kind and on the company's framework of executive remuneration generally and its cost;
- f) to exercise the power to take advice from any person it may deem necessary to help the Remuneration Committee to achieve their purpose and objectives;
- g) continually review, investigate, report upon and recommend as appropriate all forms of reward that might be applicable including share options, pension schemes, ESOP's, FURBS and so on;
- h) operate and administer the company's share option and share incentive schemes in accordance with the respective rules thereof, the Remuneration Committee shall make recommendations as to the board as to any adjustments to the terms of such schemes and as to proposals intended for submission to shareholders in relation to such schemes;
- i) review the design of remuneration structures, levels of pay, incentives and fringe benefits;
- j) be responsible for reporting to the company's shareholders, on behalf of the board, in relation to remuneration policies applicable to the company's executive directors and senior executives, drawing attention to factors specific to the company; in preparing or making any such report the Remuneration Committee shall follow the provisions set out in Schedule B to the UK Corporate Governance Code;
- k) review policies for post-employment shareholding requirements encompassing both unvested and vested shares;

- l) review procedures for the identification, training, remuneration and career development of all executives, senior and junior who aspire to and may be expected to hold the most senior posts with clear policies for their encouragement; and
- m) keep a watching brief over the chairman's proposed remuneration and conditions of employment for senior executives of the group.

7.3. The Remuneration Committee shall also consider such other topics as are defined by the board from time to time.

References in these terms of reference to "senior executives of the group" shall mean any director of any subsidiary of the company and the first layer of management below board level.