

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

ADOPTED BY RESOLUTION OF THE BOARD ON 3 SEPTEMBER 2018

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 CEPS plc.

2. MEMBERS

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

- David Johnson (Committee Chairman); and
- Geoff Martin

3. PURPOSE

The Committee shall determine and agree with the board the framework or broad policy for the remuneration of the Company's chairperson and the executive directors including pension rights and compensation payments.

4. MEMBERSHIP

- 4.1 The Committee shall comprise of at least two directors, one of which must be an independent non-executive director.
- 4.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, the Finance Director and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 4.3 The Committee shall meet all Applicable Laws, including those relating to independence within the meaning of Applicable Laws. Accordingly, each member shall be independent within the meaning of Applicable Laws.
- 4.4 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for further periods of up to three years provided that the director still meets the criteria for membership of the Committee. The Board may fill vacancies in the Committee by appointment from among the Board.



4.5 The Board shall appoint the Committee Chairman who should be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members of the Committee present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship of the Board.

5. SECRETARY

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

6. QUORUM

6.1 The quorum necessary for the transaction of business shall be any 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.

7. MEETINGS

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

7.2 The Committee should hold an in camera session without any senior officers present at the meeting.

7.3 The Committee shall report its determinations and recommendations to the Board.

8. NOTICE OF MEETINGS

8.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the Committee Chairman. Otherwise the time and place for meetings may be set by resolution of the members of the Committee.

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 recording the names of those present and in attendance.

9.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

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



10. ANNUAL GENERAL MEETING

- 10.1 The Committee Chairman shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

11. RESOURCES AND AUTHORITY

- 11.1 The Committee has the authority to:-

- 11.1.1 engage, at the expense of the Company, independent counsel and other experts or advisors as considered advisable;
- 11.1.2 determine and pay the compensation for any independent counsel and other experts or advisors retained by the Committee;
- 11.1.3 conduct any appropriate investigation; and
- 11.1.4 request any senior officer, or outside counsel for the Company, to attend any meeting of the Committee or to meet with any members of, or independent counsel or other experts or advisors to, the Committee.

12. DUTIES

- 12.1 The Committee shall determine and agree with the board the framework or broad policy for the remuneration of the Company's chairperson and the executive directors including pension rights and compensation payments. The remuneration of non-executive directors shall be a matter for the board or the shareholders (within the limits set in the articles of association). No director or senior manager shall be involved in any decisions as to their own remuneration. The Committee shall recommend and monitor the level and structure of remuneration for senior management.
- 12.2 In determining such policy, the Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of relevant guidance. The objective of such policy shall be to attract, retain and motivate the executive management of the Company without paying more than necessary. The remuneration policy bears in mind the Company's appetite for risk and be aligned to the Company's long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long term success of the Company.
- 12.3 When setting remuneration policy for directors, the Committee shall review and have regard to the pay and employment conditions across the Company, especially when determining salary increases.
- 12.4 The Committee shall review the ongoing appropriateness and relevance of the remuneration policy.
- 12.5 The Committee shall have regard to the provisions of the QCA's Remuneration Committee Guide for Small and Mid-Sized Companies.
- 12.6 The Committee shall 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.
- 12.7 The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall



ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

- 12.8 The Committee shall 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 of such awards, the individual awards to executive directors, Company Secretary and other senior executives and the performance targets to be used.
- 12.9 The Committee shall determine the policy for, and scope of, pension arrangements for each executive director and other senior executives.
- 12.10 Within the terms of the agreed policy and in consultation with the Chairperson and/or Chief Executive as appropriate, the Committee shall determine the total individual remuneration package of the chairperson, each executive director, the Company secretary and other senior executives including bonuses, incentive payments and share options or other share awards.
- 12.11 The Committee shall:
 - 12.11.1 ensure that contractual terms on termination and any payments made are fair to the individual and the Company; that failure is not rewarded and the duty to mitigate loss is fully recognised;
 - 12.11.2 oversee any major changes in employee benefits structures throughout the Company; and
 - 12.11.3 agree the policy for authorising claims for expenses from the directors.
- 12.12 The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 12.13 The Committee shall obtain reliable, up-to-date information about remuneration in other companies of comparable scale. The Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary to help it fulfil its obligations within any budgetary restraints imposed by the board.
- 12.14 The Committee shall consider such other matters as may be requested by the board of directors and work and liaise as necessary with all other board committees.

13. REPORTING RESPONSIBILITIES

- 13.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 13.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 13.3 The Committee shall produce a report to be included in the Company's Annual Report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.



14. OTHER

The Committee shall:-

- 14.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
- 14.2 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;
- 14.3 at all times give due consideration to the provisions and recommendations in the Quoted Companies Alliance (QCA) Corporate Governance Code and the requirements of the AIM Rules for Companies, the UK Listing Authority's Disclosure Guidance and Transparency Rules and any other Applicable Laws, as appropriate; and
- 14.4 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.

15. CHAIRMAN

The Committee Chairman should:-

- 15.1 provide leadership to the Committee and oversee the functioning of the Committee;
- 15.2 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;
- 15.3 ensure that the Committee meets at least once in each year and otherwise as is considered advisable;
- 15.4 in consultation with the Chairman and the members, establish dates for holding meetings of the Committee;
- 15.5 set the agenda for each meeting of the Committee with input from other members, the Chairman and any other appropriate individuals;
- 15.6 ensure that Committee materials are available to any director upon request;
- 15.7 act as liaison and maintain communication with the Chairman and the Board to co-ordinate input from the Board and to optimize the effectiveness of the Committee;
- 15.8 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;
- 15.9 assist the members of the Committee to understand and comply with the responsibilities contained in these terms of reference;
- 15.10 foster ethical and responsible decision making by the Committee;



- 15.11 oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;
- 15.12 ensure appropriate information is provided to the Committee by the senior officers to enable the Committee to function effectively and comply with these terms of reference;
- 15.13 ensure that appropriate resources and expertise are available to the Committee;
- 15.14 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;
- 15.15 facilitate effective communication between the members of the Committee and the senior officers;
- 15.16 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 that may be asked of the Committee; and
- 15.17 perform such other duties as may be delegated to the Committee Chairman by the Committee or the Board from time to time.

16. AUTHORITY

- 16.1 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.