

Vectura Group plc

REMUNERATION COMMITTEE TERMS OF REFERENCE

- 1. COMPOSITION AND MEETINGS OF REMUNERATION COMMITTEE**
- 1.1 The Remuneration Committee comprises not less than three non-executive directors of the Company, to be selected by the Board (on the recommendation of the Nomination Committee and in consultation with the chair of the Remuneration Committee), who are all independent in character and judgement and free from any relationships or circumstances which are likely to affect, or could appear to affect, the Committee member's judgement. The Chair of the Board may also serve on the Remuneration Committee as an additional member if he or she was considered independent on appointment as Chair. Appointments to the Remuneration Committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members (other than the chair of the board, if he or she is a member of the committee) continue to be independent. The Board must, from time to time, review the composition of the Remuneration Committee to ensure that membership of the Remuneration Committee rotates amongst the Company's independent non-executive directors.
- 1.2 If any member of the Remuneration Committee is unable to act for any reason, the chair of the Remuneration Committee may appoint any other independent non-executive director of the Company to act as his alternate.
- 1.3 The chair of the Remuneration Committee who shall be an independent non-executive director shall be appointed by the Board. Before appointment as chair of the Remuneration Committee, the appointee should have served on a remuneration committee for at least 12 months. In the absence of the chair of the Remuneration Committee, the remaining members present shall elect one of their number to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be chair of the Remuneration Committee.
- 1.4 The Company Secretary (or his or her nominee) shall be the secretary of the Remuneration 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 the issues.
- 1.5 The quorum for meetings of the Remuneration Committee is any two of its members.
- 1.6 No one other than a Committee Member is entitled to attend meetings of the Remuneration Committee but others may attend by invitation. The chief executive, 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.
- 1.7 Meetings of the Remuneration Committee are to be held not less than twice a year and at such other times as the chair of the Remuneration Committee shall require. Any of the Committee members may request a meeting of the Remuneration Committee if he or she considers it necessary, to be arranged by the secretary.

1.8 No Remuneration Committee member shall participate in any discussion or decision on their own remuneration.

2. **DUTIES OF THE REMUNERATION COMMITTEE**

2.1 The duties of the Remuneration Committee are:

2.1.1 to set the remuneration policy for all executive directors, the Chair of the Company and senior management, including pension rights and any compensation payments and their cost. The board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors 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;

2.1.2 to review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;

2.1.3 to ensure that remuneration policies and practices are designed to support strategy and promote long-term sustainable success. In particular, to ensure that executive remuneration is aligned to company purpose and values, and be clearly linked to the successful delivery of the Company's long-term strategy;

2.1.4 to review the ongoing appropriateness and relevance of the remuneration policy;

2.1.5 to 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;

2.1.6 to ensure that remuneration schemes and policies enable the use of discretion to override formulaic outcomes and include provisions that enable the Company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so;

2.1.7 to review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, to determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, the Company Secretary and other senior management and the performance targets to be used;

2.1.8 to determine the policy for, and scope of, pension arrangements for each executive director, the Chair and other senior management, noting that pension commitments for executive directors, or payments in lieu, should be aligned with those available to the workforce;

2.1.9 to 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;

2.1.10 within the terms of the agreed policy and in consultation with the Chair and/or chief executive as appropriate, to determine the total individual remuneration

package of each executive director, the Chair and members of senior management including bonuses, incentive payments and share options or other share awards;

- 2.1.11 to review and have regard to pay and employment conditions across the Company/Group especially when determining annual salary increases;
- 2.1.12 to develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;
- 2.1.13 to oversee any major changes in employee benefits structures throughout the Company or Group;
- 2.1.14 to agree the policy for authorising claims for expenses from the directors;
- 2.1.15 to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- 2.1.16 to obtain reliable, up-to-date information about remuneration in other companies;
- 2.1.17 to make recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 2.1.18 ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code, are fulfilled;
- 2.1.19 to produce a report of the company's remuneration and practices to be included in 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 should identify such consultants and state whether they have any other connection with the company; and
- 2.1.20 to consider other matters as referred to the Remuneration Committee by the Board.

3. REMUNERATION COMMITTEE CHAIR

3.1 The Remuneration Committee's chair shall:

- 3.1.1 report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- 3.1.2 attend the AGM prepared to answer any shareholder questions on the Remuneration Committee's activities; and
- 3.1.3 ensure that the Company maintains contact as required with its principal shareholders about remuneration.

4. **SECRETARY**

4.1 The Secretary shall:

- 4.1.1 minute the proceedings and resolutions of all meetings of the Remuneration Committee, including recording the names of those present and in attendance;
- 4.1.2 ascertain, at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly; and
- 4.1.3 promptly circulate minutes of the Remuneration Committee meetings to all members of the Remuneration Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

5. **AUTHORISATIONS**

5.1 The Remuneration Committee is authorised by the Board:

- 5.1.1 to investigate remuneration paid to directors of other companies of a similar size in a comparable industry sector in the UK;
- 5.1.2 to obtain information it requires (including, without limitation, information on the remuneration of any employee or member of the wider workforce) from any employee of a Group Company;
- 5.1.3 to obtain, at the Company's expense, such legal or other independent professional advice as it deems necessary to fulfil its responsibilities;
- 5.1.4 to obtain, at the Company's expense, but within any budgetary constraints imposed by the Board, remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties;
- 5.1.5 to obtain the advice and assistance of any of the Company's executives provided their role in providing such advice and assistance is clearly separated from their role within the business; and
- 5.1.6 to secure the attendance of any person with relevant experience and expertise at committee meetings if it considers this appropriate.

6. **OTHER MATTERS**

6.1 The Remuneration Committee shall:

- 6.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 6.1.2 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;

- 6.1.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Associates and the Pensions and Lifetime Savings Association and any other applicable rules, as appropriate; and
- 6.1.4 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.