

## MOTIF BIO PLC

### TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

In this document, the “**Board**” shall mean the Board of Directors of the Company; the “**Committee**” shall mean the Remuneration Committee of the Board; the “**Company**” shall mean Motif Bio PLC and the “**Group**” shall mean the Company and its subsidiaries.

#### 1. CONSTITUTION

The Committee was constituted at a full meeting of the Board held on 27 March 2015 in accordance with the articles of association of the Company.

#### 2. DUTIES AND TERMS OF REFERENCE

- 2.1 The Committee shall determine and agree with the Board the framework or broad policy for the remuneration of the Company’s Chief Executive, Chairman, the executive directors, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and executive members of the Board. No Director or manager shall be involved in any decisions as to their own remuneration.
- 2.2 In determining such policy, the Committee shall take into account all factors which it deems necessary. The objective of such policy shall 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.
- 2.3 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.
- 2.4 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 and other senior executives and the performance targets to be used.
- 2.5 The Committee shall determine the policy for, and scope of, pension arrangements for each executive director and other senior executives.

- 2.6 The Committee shall 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.
- 2.7 Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, the Committee shall 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.
- 2.8 In determining such packages and arrangements, the Committee shall give due regard to any relevant regulatory and legal requirements, the provisions and recommendations in the UK Corporate Governance Code, NAPF Corporate Governance Policy and Voting Guidelines for AIM Companies, the QCA Corporate Governance Guidelines for Smaller Quoted Companies and the London Stock Exchange's rules for AIM companies and associated guidance.
- 2.9 The Committee shall:
- (a) review and note annually the remuneration trends across the Company or the Group;
  - (b) review the on-going appropriateness and relevance of the remuneration policy;
  - (c) oversee any major changes in employee benefits structures throughout the Company or the Group; and
  - (d) agree the policy for authorising claims for expenses from the Chief Executive and Chairman.
- 2.10 The Committee shall ensure that all provisions regarding disclosure of remuneration including pensions are fulfilled.
- 2.11 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.
- 2.12 The Committee shall obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to appoint remuneration consultants and to commission any reports, surveys or information which it deems necessary to help it fulfil its obligations within any budgetary restraints imposed by the Board.

2.13 The Committee shall be exclusively responsible for establishing the selection criteria, selecting and appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

2.14 The Committee shall consider such other matters as may be requested by the Board.

### **3. MEMBERSHIP**

3.1 The members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chairman of the Remuneration Committee. The Committee shall have at least three members.

3.2 The majority of the members of the Committee should be independent non-executive directors. The Board will determine each member's independence in accordance with the Board's Criteria for Independence.

3.3 Appointments to the Committee shall be for periods of up to three years, which may be extended for two further three-year periods provided the Director still meets the criteria for membership of the Committee.

3.4 The Chairman of the Board of Directors may be a member of the Committee (although not as Committee Chairman).

3.5 The Chairman of the Committee shall be an independent non-executive director who shall be appointed by the Board. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3.6 Only members of the Committee have the right to attend Committee meetings. However, other Directors and/or advisors may be invited to attend all or part of a meeting as and when appropriate and necessary.

3.7 At the date of formation of the Committee, it has been agreed that the members of the Committee will be Bruce Williams and Richard Morgan and the Committee shall be chaired by Zaki Hosny

3.8 Members of the Committee shall be named in the Annual Report and Accounts of the Committee.

#### **4. SECRETARY**

- 4.1 The Company Secretary or their nominee shall be the secretary of the Committee.
- 4.2 The Company Secretary or their nominee shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues to be considered.

#### **5. QUORUM**

- 5.1 A quorum necessary for the transaction of business shall be any two independent, non-executive members of the Committee. 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. 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 appointment must still be an independent non-executive director.
- 5.2 Any member of the Committee may validly participate in a meeting of the Committee through the medium of conference telephone or electronic mail or similar form of communication equipment provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting or are able to receive communications from each of the other Committee members participating in the meeting.

#### **6. VOTING ARRANGEMENTS**

- 6.1 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.
- 6.2 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.

#### **7. FREQUENCY OF MEETINGS**

- 7.1 The Committee will meet at least three times a year. The Committee may meet at other times during the year as agreed between the members of the Committee or as requested by the Chairman of the Committee.

## **8. ATTENDANCE AT MEETINGS**

- 8.1 Other Directors and external advisers may be invited to attend all or part of any meeting as and when appropriate.

## **9. NOTICE OF MEETINGS**

- 9.1 Meetings of the Committee shall be summoned by the Company Secretary at the request of any of its members.
- 9.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member of the Committee and any other person required to attend and all other non-executive directors no later than 5 working days before the date of the meeting. Supporting papers shall be sent to each member of the Committee and to other attendees as appropriate at the same time.

## **10. AUTHORITY**

- 10.1 The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to obtain, at the Company's expense, legal or professional advice on any matter within its terms of reference.
- 10.2 The Committee may also appoint remuneration consultants and commission or purchase any relevant reports, surveys or information that it deems necessary to help fulfil its duties provided such consultants and reports are within any budgetary constraints imposed by the Board.
- 10.3 The Committee is authorised to seek any information it requires from any employee or Director, and all such employees or Directors will be directed to co-operate with any request made by the Committee.
- 10.4 The Committee is authorised to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary.

## **11. REPORTING RESPONSIBILITIES**

- 11.1 Draft minutes of each meeting will be circulated to all members of the Committee. On finalisation and signature by the Chairman, the minutes of each meeting will be submitted to the Board as a formal record of the decisions of the Committee on behalf of the Board.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall produce a report of the Company's remuneration policy 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.
- 11.4 The Committee shall ensure that any reporting complies with the requirement of the AIM Rules for Companies and to any laws and regulations as may be applicable.

## **12. MINUTES OF MEETINGS**

- 12.1 Finalised minutes of the meetings of the Committee, including the names of those present and in attendance, shall be circulated to the members of the Board as part of the board papers for each full meeting of the Board.

## **13. OTHER**

- 13.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 13.2 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.
- 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 be provided with appropriate and timely training, both in the form of an induction programme for new members and an on-going basis for all members.

**14. ANNUAL GENERAL MEETING**

- 14.1 The Chairman of the Committee shall attend each Annual General Meeting of the Company to answer any shareholder's questions concerning the Committee's activities.