

# **Phytopharm plc**

## **Remuneration Committee Terms of Reference**

**(as approved by the Board of Directors of the Company on 30 September 2009)**

### **Definitions**

“Committee” the Remuneration Committee

“Company” Phytopharm plc

### **1 Constitution**

The Committee shall be a committee of the board of directors of the Company appointed by the board on the recommendation of the Nomination Committee, in consultation with the chairman of the Committee. The board shall appoint the Committee chairman.

### **2 Membership**

**2.1** The Committee shall comprise a chairman and up to two other members.

**2.2** All members of the Committee shall be non-executive directors and who are independent and free from any business or other relationship which could interfere with the exercise of their independent judgement.

**2.3** The Company Secretary or a nominee shall be the secretary of the Committee.

### **3 Quorum**

The quorum necessary for the transaction of business by the Committee shall be two. In the absence of the chairman of an appointed deputy, the remaining members shall elect one of themselves to chair the meeting.

### **4 Meetings**

**4.1** The Committee shall meet as appropriate, but not less than two times a year

**4.2** A meeting of the Committee may be called by the secretary at the request of any member of the Committee.

**4.3** Meetings of the Committee shall be called by giving five working days' written notice unless all the members of the Committee agree to shorter notice. Notice will be given to all members and attendees, and will confirm the venue, time and date of the proposed meeting and provide the agenda and supporting papers.

**4.4** Members may participate in a meeting by means of conference telephone, video conference or similar communicating equipment.

- 4.5 The Chief Executive Officer, Chief Financial Officer or external advisors may be invited to speak at meetings of the Committee.
- 4.6 No Committee attendee shall participate in any discussion on their won remuneration, fees or terms or conditions of service.
- 4.7 The secretary will minute the proceedings and resolutions of all meetings as well as keep appropriate records. Minutes of the meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the board, unless an conflict of interest arises.

## **5 Annual General Meeting**

The chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

## **6 Terms of Reference**

The duties of the Committee shall be to:

- 6.1 determine and agree with the board the framework or broad policy for the remuneration of the chief executive officer, the chief financial officer, the chief operating officer of the Company and other such members of the executive management as it is designated to consider, ensuring that levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully, but avoiding paying more than is necessary, bearing in mind that a significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance. Thereafter, the Committee shall have delegated responsibility for setting remuneration for all executive directors and the chairman, and for monitoring the level and structure of remuneration for such executive management as it is designated to consider. The remuneration of non-executive directors shall be matter for the chairman and executive members of the board. No director or manager should be involved in any discussions as to their own remuneration;
- 6.2 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;
- 6.3 approve all long-term incentive scheme structures and option schemes;
- 6.4 approve all option grants for ratification by the board;
- 6.5 approve the overall bonus payments, if applicable, and the terms of salary reviews proposed by management for the general staff;
- 6.6 approve the policy for and scope for pension arrangements for each executive director;
- 6.7 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 departing director's duty to mitigate loss is fully recognised;

- 6.8** within the terms of the agreed policy, determine the total individual remuneration package of each executive director including, where appropriate bonuses, incentive payments and share options;
- 6.9** in determining such packages and arrangements, give due regard to the contents of the Combined Code, the UK Listing Authority's Rules, Company Law and associated guidance;
- 6.10** be aware of and advise on any major changes in employee benefit structures throughout the Company or group;
- 6.11** agree the policy for authorising claims for expenses from executive directors;
- 6.12** ensure that the provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code, are fulfilled;
- 6.13** report the frequency of, and attendance by members at, Committee meetings in the Annual Report;
- 6.14** to ensure that the chairman of the Committee, or in his absence, an appointed deputy attends the Company's AGM to answer shareholders' questions about directors' remuneration;
- 6.15** to submit recommendations to the board on these and any other matters which may be specifically referred to it by the board; and
- 6.16** to ensure that its terms of reference are made available publicly.

## **7 Authority**

- 7.1** The Committee is empowered in the articles of association of the Company to discharge its functions on behalf of the board of directors and is entitled to have access, at the Company's expense, to such internal or external professional advice as it sees fit in furtherance of its duties.
- 7.2** The Committee is authorised by the board to seek any information it requires from any employee of the Company, in order to perform its duties.

## **8 Decisions**

Any decisions of the Committee shall be taken on a simple majority basis. The chairman will have a casting vote in the event of equality voting.