

# Synectics plc

## Terms of Reference for the Remuneration Committee

### **Constitution**

1. The Board has established a Committee of the Board to be known as the Remuneration Committee, and has approved these terms of reference for the Committee.

### **Membership**

2. The Committee shall consist of not less than two members all of whom should normally be independent non-executive directors.

Members of the Committee shall be appointed by the Board, in consultation with the Chairman of the Remuneration Committee. The Committee Chairman shall be appointed by the Board.

3. In the absence of the Committee Chairman the remaining members present shall elect one of themselves to chair any meeting. The Chairman of the Board cannot be appointed Chairman of the Committee.
4. The Company Secretary or any other person (except for any Executive Director) appointed by the Committee may act as Secretary of the Committee.

### **Attendance at meetings**

5. A quorum for the purposes of a duly convened Committee meeting shall be two members.
6. Only members of the Committee have the right to attend Committee meetings. However other individuals such as the Chairman of the Board, Chief Executive, the Finance Director the Organisational and Development Director and external advisers, may be invited to attend for all or part of any meeting as and when appropriate. Such participation is for the purposes of providing advice to the Committee only.
7. The Secretary, or any acting secretary, shall attend and minute all proceedings of the Committee meetings, recording the names of members present and others in attendance.
8. No person should be present when discussion of their remuneration takes place.

### **Notice and Meetings**

9. The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.
10. Meetings of the Committee shall be convened by the Secretary of the Committee (or in the absence of a permanent Secretary, by the Company Secretary) at the request of any of its members.
11. The Secretary, their nominee or an acting secretary, shall ensure that the Committee receives all information and papers in a timely manner, usually 5 working days prior to meetings, to enable the members to give full and proper consideration to issues.
12. The Chairman of the Committee shall attend the Annual General Meeting of the Company and be prepared to respond to any shareholder questions on the Committee's activities.

### **Authority**

13. The Committee is authorised by the Board to seek any assistance or information it requires from any employee of the Company in order to perform its duties.

14. The Committee is authorised by the Board to obtain, at the Company's expense, any outside legal, remuneration consultancy or other professional advice it deems necessary.

#### **Duties**

15. The Committee should carry out the duties below for the Company, major subsidiaries and the Group as a whole, as necessary or appropriate:

##### **Remuneration Policy**

- 15.1. Determine and recommend to the Board a remuneration policy for the Company's Executive directors and other senior executives ("**Executives**"), including short and long term variable remuneration, pension rights, other benefits and any compensation payments ("**Remuneration Policy**").
- 15.2. When determining the Remuneration Policy, take into account all factors which the Committee deems necessary, including relevant legal and regulatory requirements.
- 15.3. Ensure the Remuneration Policy provides the appropriate balance of incentives to attract and retain the quality of management required to run the Company successfully, without paying more than is necessary. The overriding objective of the Remuneration Policy should be to promote the long-term success of the Company without encouraging excessive risk.
- 15.4. Monitor and review the on-going appropriateness and relevance of the Remuneration Policy.

##### **Remuneration and terms**

- 15.5. Determine in accordance with the Remuneration Policy and in consultation with the Chairman of the Board and/or Chief Executive, as appropriate, the total individual remuneration package of each Director, the Chairman of the Board, and the Executives, including salary, bonuses, incentive payments and share options or other share awards. No Director or Executive shall be involved in any decisions as to their own remuneration.
- 15.6. The remuneration of non-executive directors shall be a matter for the Chairman of the Board and the executive Directors.
- 15.7. Monitor and if so determined recommend the level and structure of remuneration for senior management in the Group not covered under paragraph 15.5 above.
- 15.8. Ensure that contractual terms on termination and any related payments made are fair to the individual and the Company, and that failure is not rewarded. The Committee shall recognise its duty to mitigate loss to the fullest extent possible and will in appropriate circumstances recommend to the Board recovery of sums paid, or withholding of payment or award of an incentive.
- 15.9. Obtain reliable and recent remuneration data to review and benchmark remuneration with other companies of comparable size and complexity. The Committee shall have full authority to appoint external remuneration consultants to commission report or survey which it deems necessary or appropriate to fulfil its obligations.
- 15.10. Oversee any major changes in employee benefit structures across the Group.

##### **Incentive Schemes**

- 15.11. Approve the design of, and determine targets for, any performance-related pay schemes and, if considered appropriate, approve the total annual payments made under such schemes.
- 15.12. Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine in each instance whether awards will

be made, and if so, the overall and individual amount of all such awards, including the performance targets to be used.

#### **Pensions**

15.13. Determine the policy for, and scope of, pension arrangements for executive Directors and Executives.

#### **Reporting**

15.14. The Committee shall make whatever recommendations to the Board that it deems appropriate on any area within its remit.

15.15. The Committee shall ensure that a Remuneration Report is produced and included in the Company's annual report and accounts each year, which includes details of the Remuneration Policy and practices of the Company. Unless otherwise decided by the Board, the Committee shall ensure that the Remuneration Report is put to shareholders for approval at the annual general meeting each year.

15.16. Through the Chairman of the Board, the Committee should ensure that the Board takes appropriate account of any representations by shareholders on remuneration matters.

#### **Other Duties**

15.17. Give due regard to the provisions and recommendations of the UK Corporate Governance Code, the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and associated guidance from bodies such as the ABI and NAPF, any applicable laws and regulations, and any other relevant regulatory rules in force, as appropriate.

15.18. Annually review the Committee's own performance and terms of reference to ensure it operates effectively and recommend to the Board for approval any changes the Committee deems necessary or appropriate.

15.19. Liaise with all other Board committees.

15.20. Undertake other ad hoc duties or activities delegated by the Board from time to time.

#### **Procedures and Responsibilities**

16. Minutes of Committee meetings shall be circulated promptly to all members of the Committee.

17. The Committee Chairman shall report to the Board on its proceedings after each meeting.