

## Abcam plc

### REMUNERATION COMMITTEE

#### TERMS OF REFERENCE<sup>1</sup>

#### 1. PURPOSE

- 1.1 The Company is not listed on the main market and consequently is not required to have regard to the Combined Code. However the Board is committed to maintaining high standards of corporate governance and the Directors intend, so far as is practicable given the Company's size and constitution of the Board, to comply with the provisions of the Combined Code.
- 1.2 The purpose of the Committee is to establish a formal, rigorous and transparent procedure for developing policy on executive remuneration, on the basis set out in 1.1 above, and to set the remuneration packages of individual directors.

#### 2. CONSTITUTION AND MEMBERSHIP

- 2.1 The Remuneration Committee has been established as a committee of the Board by resolution of the Board.
- 2.2 The members of the Committee shall be appointed by the Board. The Committee shall comprise at least three<sup>2</sup> members, all of whom shall be independent non-executive directors.<sup>3</sup> In addition the Company Chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as Chairman.
- 2.3 The chairman of the Committee shall be appointed by the Board. In the absence of the chairman of the Committee, the members present shall select one of their number present to chair the meeting. The Chairman of the Company shall not be eligible to be appointed as chairman of the Committee.
- 2.4 The Company Secretary shall act as the Secretary of the Committee. Where the Secretary is also an executive director, the Committee may nominate one of its

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<sup>1</sup> Guidance on the terms of reference for and composition of the Remuneration Committee originated in the "Higgs Suggestions for Good Practice" available as Associated Guidance from the Financial Reporting Council - [www.frc.org.uk/corporate/combinedcode.cfm](http://www.frc.org.uk/corporate/combinedcode.cfm). The main role and responsibilities of the committee are now set out in paragraph D.2 of the Combined Code.

In December 2006 the ABI published guidelines on the policies and practices relating to Executive Remuneration. They are available from [www.ivis.co.uk](http://www.ivis.co.uk). These precedent terms of reference reflect the current Combined Code and the ICSA model guidelines.

This precedent is drafted on the assumption that the Company is listed on the main market. AIM companies are not required to have regard to the Combined Code.

<sup>2</sup> Smaller companies (below the FTSE 350) should have at least two members and the QCA guidelines confirm this, ie two independent non-executives.

<sup>3</sup> This reflects paragraph D.2.1 of the Combined Code.

members to act as secretary for any meeting which the Committee wishes to hold without executive directors being present.

### 3. **ATTENDANCE**

3.1 The Committee may request the Chairman of the Company, Chief Executive Officer, Chief Financial Officer, and any relevant senior management to attend meetings of the Committee, either regularly or by invitation, but such invitees have (save as set out in the following paragraph, or, in the case of the chairman of the Company save as appointed to the Committee in accordance with paragraph 2.2 above), no right of attendance.

3.2 The Chief Executive shall have the right to address any meeting of the Committee.

### 4. **MEETINGS**

4.1 The Committee will meet at least once each year, and at such other times as the chairman of the Committee shall think fit.

4.2 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any member.

4.3 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda and all relevant papers, should normally be circulated to each member of the Committee, to any other person required to attend, and to all other non-executive directors, at least five working days prior to the date of the meeting.

4.4 The quorum for meetings of the Committee shall be two members.

4.5 Decisions of the Committee will be made by majority vote. In the event of an equality of votes the chairman of the Committee will have a second or casting vote.

### 5. **REPORTING**

5.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interest exists.

5.2 The Committee shall make whatever recommendations to the Board that it deems appropriate in the context of the scope of its responsibilities.

5.3 The Committee shall prepare a report each year to be included in the Company's annual report and accounts.

5.4 The chairman of the Committee should be present at the Company's annual general meeting to respond to questions on matters within the responsibility of the Committee.

## 6. **DUTIES OF THE COMMITTEE**

The duties of the Committee are:<sup>4</sup>

6.1 The setting of individual remuneration packages for the Chairman, the executive members of the Board and such other members of the executive management as it is designated to consider, within the overall remuneration policy determined by the Board. The remuneration of non-executive directors shall be a matter for Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to his or her own remuneration. In order to ensure his independence, the Committee shall also review and recommend to the Board the remuneration of the Company Secretary.

6.2 to take into account all factors which the Committee deems necessary in determining the remuneration policy. The objective of the 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.

6.3 to liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy.

6.4 to determine targets for any performance related pay schemes operated by the Company and to ask the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements.

6.5 to determine the total individual remuneration package of each executive director including, where appropriate, bonuses, incentive payments and share options, ensuring that:

6.5.1 remuneration packages are sufficient to attract, retain and motivate executive directors of the quality required, while avoiding paying more than is necessary for this purpose;

6.5.2 performance-related elements of remuneration form a significant proportion of the total remuneration package, and are designed to align their interests with those of shareholders.

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<sup>4</sup> These duties reflect the provisions of the Combined Code and the Summary of principal duties of the Remuneration Committee in the Higgs Suggestions for Good Practice available as Associated Guidance from the Financial Reporting Council - [www.frc.org.uk/corporate/combinedcode.cfm](http://www.frc.org.uk/corporate/combinedcode.cfm), though some provisions may go beyond the strict scope of the Code.

- 6.6 to determine the policy for and scope of pension arrangements, for executive directors.
- 6.7 to ensure that contractual terms on termination and any payments made, are fair to the individual and the Company, ensuring that compensation commitments do not have the effect of rewarding poor performance and that the duty to mitigate loss is fully recognised, while dealing fairly with cases where departure is not due to poor performance.
- 6.8 to give due regard to the comments and recommendations of the Combined Code, AIM Rules for Companies and associated guidance, including the ABI's guidelines on policies and practices on executive remuneration in determining remuneration packages and arrangements.
- 6.9 to obtain, review and have regard to the conditions of service and remuneration levels of competitor companies, but not so as to cause remuneration to rise without a corresponding improvement in performance.
- 6.10 to be aware of and advise on any major changes in employee benefit structures throughout the Group.
- 6.11 to ensure that all relevant statutory and/or regulatory provisions regarding disclosure of remuneration (including pensions) are fulfilled.
- 6.12 to be exclusively responsible for establishing the selection criteria, selecting, appointing and settling the terms of reference for any remuneration consultants who advise the Committee.
- 6.13 to review at least once a year the Committee's own performance, constitution and terms of reference, and make recommendations to the Board as necessary to ensure that it is operating at maximum effectiveness.

## 7. **AUTHORITY**

- 7.1 The Committee is authorised by the Board to investigate any activity or state of affairs within its terms of reference.
- 7.2 The Committee is authorised to seek any information it requires from any employees or officers. In seeking any advice or assistance from any of the Company's executives, the Committee is to ensure that such role is clearly separated from the executive's role within the business.
- 7.3 The Committee is authorised to obtain, at the Company's expense, expert advice from the Company's auditors, professional advisers or otherwise, and to take independent professional advice and to require the attendance of outsiders with relevant experience and expertise if it considers it necessary.

- 7.4 The Committee is authorised to select, set the terms of reference and appoint remuneration consultants, at the Company's expense.
- 7.5 The Committee is authorised to commission any reports or surveys which it deems necessary to fulfil its obligations.

These terms of reference were adopted in place of the previous terms of reference by resolution of the Board passed on 26 November 2009. Specific references to paragraphs in the Combined Code have been updated, as a result of the new UK Corporate Governance Code issued by the FRC in June 2010.