

## ANIMALCARE GROUP PLC

### TERMS OF REFERENCE FOR THE REMUNERATION AND NOMINATION COMMITTEE

In this document, the "**Board**" shall mean the Board of directors of the Company; the "**Committee**" shall mean the Remuneration and Nomination Committee; the "**Company**" shall mean Animalcare Group plc. References to the "**QCA Code**" are to the QCA Corporate Governance Code.

#### 1. Membership

- 1.1. The Committee shall comprise at least three directors, at least two of whom shall be independent non-executive directors of the Company. The chairman of the Board may serve on the Committee.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3. Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for two additional three-year periods, provided the director still meets the criteria for membership of the Committee.
- 1.4. The Board shall appoint the Committee chairman (the "**Chairman**") who should be either the chairman of the Board or an independent non-executive director. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.

#### 2. Secretary

- 2.1. The Company Secretary or his nominee shall act as the secretary of the Committee.

#### 3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two members of whom at least one must be a non-executive director. 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.

#### 4. Frequency of meetings

- 4.1. The Committee shall meet at least twice a year and otherwise as required.

#### 5. Notice of meetings

- 5.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chairman or any member thereof.

- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and any other person required to attend not later than two working days prior to the date of the meeting or such other reasonable time considered appropriate preparation for the business of the meeting.

## **6. Meetings by Telephone and other Electronic Means**

- 6.1. A meeting of the members of the Committee may consist of a conference between Committee members some or all of whom are in different places provided that each Committee member may participate in the business of the meeting whether directly, by telephone or by any other electronic means which enables him:
- a) to hear each of the other participating Committee members addressing the meeting; and
  - b) if he so wishes, to address all of the other participating Committee members simultaneously.
- 6.2. A quorum is deemed to be present if at least the number of Committee members required to form a quorum may participate in the manner specified in paragraph 3 above in the business of the meeting.
- 6.3. A Committee meeting held in the manner specified in paragraph 6.1 above is deemed to take place at the place where the largest group of participating Committee members is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

## **7. Minutes of meetings**

- 7.1. The secretary or his nominee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless in the opinion of the Committee chairman it would be inappropriate to do so.

## **8. Annual General Meeting**

- 8.1. The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

## **9. Duties**

- 9.1. The Committee should carry out the duties below for Animalcare Group plc, Animalcare Limited and the group as a whole, as appropriate.

### *9.2 Remuneration:*

The Committee shall:

- a) have responsibility for setting the remuneration policy for all executive directors and the Company's chairman, including pension rights and any compensation payments. The

Board itself or, when 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 his or her own remuneration;

- b) recommend and monitor the level and structure of remuneration for senior management.
- c) In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Quoted Companies Alliance (the “QCA”) Corporate Governance Code for Small and Mid-size Quoted Companies (the “QCA Code”) and associated guidance. The objective of the policy shall be to promote the long-term success of the Company, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment of the Company’s strategic long-term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.
- d) when setting remuneration policy for directors, review and have regard to pay and employment conditions across the Company or group, especially when determining annual salary increases.
- e) within the terms of the agreed policy and in consultation with the Chairman and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director, the Company chairman and other senior executives including bonuses, incentive payments and share options or other share awards. review the ongoing appropriateness and relevance of the remuneration policy;
- f) obtain reliable, up-to date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports or surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;
- g) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- h) 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;
- i) review the design of all share incentive plans for approval by the Board and shareholders and 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, company secretary and other designated senior executives and the performance targets to be used;
- j) determine the policy for and scope of pension arrangements, for each executive director and other designated senior executives;

- k) 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;
- l) be aware of and advise on any major changes in employee benefit structures throughout the Group;
- m) agree the policy for authorising claims for expenses from the directors.

## 9.2. *Nomination:*

The Committee shall:

- a) regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes necessary;
- b) give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- c) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- d) be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- e) before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
  - i.) consider using open advertising or the services of external advisers to facilitate the search;
  - ii.) consider candidates from a wide range of backgrounds;
  - iii.) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;
- f) for the appointment of a chairman, the Committee should prepare a job specification, including the time commitment expected. A proposed chairman's other significant commitments should be disclosed to the Board before appointment and any changes to the chairman's commitments should be reported to the Board as they arise;
- g) prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest;

- h) keep under review any authorisations granted by the Board in connection with a directors' conflict of interest;
- i) ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings;
- j) review the results of the Board performance evaluation process that relate to the composition of the Board;
- k) review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors have devoted sufficient time to fulfil their duties;

9.4 The Committee shall also make recommendations to the Board concerning:

- a) formulating plans for succession for both executive and non-executive directors and in particular for the key roles of chairman and chief executive;
- b) suitable candidates for the role of senior independent director;
- c) membership of the audit committee, and any other Board committees as appropriate, in consultation with the chairmen of those committees;
- d) the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- e) the re-election by shareholders of directors under the annual re-election provisions of the UK Corporate Governance Code or the retirement by rotation provisions in the Company's Articles of Association, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years);
- f) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract; and
- g) the appointment of any director to executive or other office.

## **10. Reporting responsibilities**

10.1. The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 10.3. The Committee shall ensure that provisions regarding disclosure of information required by an AIM company in respect of remuneration matters are fulfilled. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 10.4. Through the chairman, the Committee shall ensure the Company maintains contact as required with its principal shareholders about remuneration.
- 10.5. The Committee may, if it deems it appropriate, produce a report to be included in the Company's annual report about its nomination related activities, the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the Company.

## **11. Other Matters**

The Committee shall:

- a) have access to sufficient resources in order to carry out its duties, including access to the Company's secretary for assistance as required;
- b) be provided with appropriate and timely training, both in the form of an induction programme for new members and an ongoing basis for all members;
- c) give due consideration to laws and regulations, the provisions of the Code and the requirements of the AIM Rules and Disclosure Guidance and Transparency Rules, the Market Abuse Regulations and any other applicable rules, as appropriate; and
- d) 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.

## **12. Authority**

- 12.1. The Committee is authorised by the Board to investigate any activity or state of affairs within its terms of reference.
- 12.2. 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.
- 12.3. The Committee is authorised to select, set the terms of reference and appoint remuneration consultants, at the Company's expense.
- 12.4. The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.
- 12.5. These terms of reference may be amended from time to time as required, subject to approval by the Board.