



REMUNERATION COMMITTEE TERMS OF REFERENCE

Remuneration Committee – Terms of Reference

INTRODUCTION

This document details the terms of reference for the Remuneration Committee (the “**Committee**”) of Smart Metering Systems PLC (the “**Company**”), in accordance with the requirements of the UK Corporate Governance Code (the “**Code**”).

1. The UK Corporate Governance Code

- 1.1 The Company is led by a Board of Directors (the “**Board**”) which is responsible for the long-term success of the Company. Both the Board and its associated committees must be comprised of individuals who possess the requisite skills, experience, independence and knowledge to enable them to successfully discharge their respective duties and responsibilities to the Company and its shareholders.
- 1.2 Section D.2 of the Code states that there must be a formal and transparent procedure in place for developing remuneration and for fixing remuneration packages for individual directors and that “the board should establish a remuneration committee ... which should make available its terms of reference, explaining its role and the authority delegated to it by the board”.

2 Membership of the Committee

- 2.1 The Committee is comprised of:-
 - 2.1.1 Jamie Richards (Chair);
 - 2.1.2 Miriam Greenwood (Non-Executive Director);
 - 2.1.3 Graeme Bissett (Non-Executive Director); and
 - 2.1.4 Ruth Leak (Non-Executive Director).
 - 2.2 The size of the Committee is considered to be sufficient in comparison to the size of the Company.
 - 2.3 In accordance with the recommendations detailed in the Code, the majority of the members of the Committee are independent and whilst the Chair of the Board is a member of the Committee as they are considered independent, they are not the Chair of the Committee.
 - 2.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the head of human resources and external advisers may be invited by the Chair to attend for all or part of any meeting of the Committee, as and when appropriate and necessary.
 - 2.5
 - 2.6 Members of the Committee are appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee.
- Appointments to the Committee are for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.

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3.1 The Chair

The Board shall appoint the Committee Chair who should be an independent Non-Executive Director. In the absence of the Committee Chair 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.

- 3.2 The Chair shall attend the annual general meeting to answer any shareholder questions on the Committee's activities.

4 The Secretary

- 4.1 Whilst it is not a provision of the Code, it is good practice for the Company Secretary to act as Secretary of the Committee and this practice has been implemented by the Company.
- 4.2 The Committee has access to the services of the Secretary on all Committee matters, including:-
- 4.2.1 assisting the Chair in planning the Committee's work;
 - 4.2.2 drawing up meeting agendas;
 - 4.2.3 maintenance of minutes;
 - 4.2.4 collection and distribution of information;
 - 4.2.5 provision of any necessary practical support; and
 - 4.2.6 ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 4.3 The Secretary, or a nominee of the Secretary (with the approval of the Committee), shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 4.4 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chair it would be inappropriate to do so.

5 Quorum

The quorum necessary for the transaction of business shall be two, both of whom must be independent Non-Executive Directors and must include the Chair.

6 Frequency of Meetings

Whilst the frequency with which the Committee needs to meet varies from time to time, at least two meetings are convened per year to review those items that form part of the regular cycle, such as reviewing the directors' remuneration report for inclusion within the annual report.

7 Notice of Meetings

- 7.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

8 The Role of the Committee

- 8.1 The Committee should carry out the duties below for the Company and all of its subsidiaries.

8.2 The Committee shall:-

- 8.2.1 review and monitor the on-going appropriateness and relevance of the remuneration policy. The remuneration policy should have regard to the long strategic term goals of the Company;
- 8.2.2 have responsibility for setting the remuneration policy for all executive and non-executive directors, including pension rights and any compensation payments. No director or senior manager shall be involved in any decisions as to their own remuneration;
- 8.2.3 determine the total individual remuneration package for each director, the Chair of the Company and other designated members of the senior management team, including bonuses, incentive payments and share options or other share awards;
- 8.2.4 in determining the applicable remuneration policy for the various directors/senior managers, the Committee shall take into account all factors which it deems necessary, including the relevant legal and regulatory requirements, together with the provisions and recommendations of the Code and any associated guidance. The objective of such a policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders;
- 8.2.5 review and have regard to pay and employment conditions across the Company and its wider group, particularly when determining annual salary increases;
- 8.2.6 when considering an individual's remuneration package, have regard to reliable and current information regarding remuneration within other companies of comparable scale and complexity. To fulfil this obligation, the Committee shall have the authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;
- 8.2.7 approve and monitor the level and structure of remuneration for senior management;
- 8.2.8 approve the creation and implementation of performance-related targets operated by the Company and approve the total annual payments made under such schemes;
- 8.2.9 approve the creation and implementation of all share incentive plans for approval by the Board and shareholders and approve the total annual payments made under such schemes;
- 8.2.10 liaise as necessary with shareholders in relation to remuneration matters;
- 8.2.11 determine the policy for and scope of pension arrangements for each director and other members of the senior management team;
- 8.2.12 ensure that any awards payable upon termination are fair to both the individual involved and the Company;
- 8.2.13 approve any major changes in any employee benefit structures throughout the Company and its wider group;
- 8.2.14 approve a policy for expenses claims from directors;
- 8.2.15 work and liaise with all other committees and the Board, as applicable.

9 Reporting Responsibilities

- 9.1 The Chair of the Committee has overall responsibility to report to the Board on the Committee's proceedings after each meeting.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall produce a report to be included in the Company's annual report about its activities and this shall include the Company's remuneration policy. If the Committee has appointed remuneration consultants then the remuneration policy, as contained in the annual report, shall identify who those consultants are and whether they have any connection with the Company.

10 Other Matters

- 10.1 The Committee shall:-
 - 10.1.1 have access to sufficient resources in order to carry out its duties, including access to the Secretary for assistance as required;
 - 10.1.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - 10.1.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate; and
 - 10.1.4 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.

11 Authorisation

- 11.1 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.