

Acacia Pharma Group plc (the "Company")

Terms of reference for the remuneration committee (approved at a meeting of the board of directors of the Company (the "Board") held on 16 February 2018)

1 Constitution

It is resolved that a committee of the Board be established, to be known as the remuneration committee (the "**Committee**").

2 Membership

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee and in consultation with the chairman of the Committee.
- 2.2 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as chairman.
- 2.3 Only members of the Committee have the right to attend or vote at Committee meetings.
- 2.4 However, other individuals such as the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary but shall not be entitled to vote on any matters. No individual shall be present when their own remuneration is being determined. The Committee shall remain independent at all times.
- 2.5 Appointments to the Committee are made by the Board and shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members (other than the chairman of the Board, if he or she is a member of the Committee) continue to be independent.
- 2.6 The first members of the Committee shall be Dr John Brown, Ed Borkowski and Scott Byrd. The chairman and members shall be listed each year in the Company's annual report.
- 2.7 The chairman of the Committee shall be an independent non-executive director and shall be appointed by the Board on the recommendation of the nomination committee from among members of the Committee and shall be Dr John Brown at the date of approval of these terms of reference. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position.
- 2.8 The company secretary or his or her nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

- 2.9 Each member of the Committee shall disclose to the Committee:
- 2.9.1 any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
 - 2.9.2 any potential conflict of interest arising from a cross-directorship; and
 - 2.9.3 any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Committee.

3 Meetings

- 3.1 The quorum for meetings of the Committee shall be two members present throughout the meeting in person or by telephone or video conference. 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. In the event of an equality of votes, the chairman of the Committee shall have a casting vote.
- 3.2 The Committee shall meet at least three times a year and otherwise as required.
- 3.3 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman or any member of the Committee.
- 3.4 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda if 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. A member of the Committee may participate in Committee meetings by telephone or video conference.
- 3.5 The secretary shall prepare minutes of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance, any conflicts of interest declared, any concerns raised and proposed actions.
- 3.6 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 chairman it would be inappropriate to do so.
- 3.7 The chairman of the Committee shall be available to answer questions about the Committee's activities at the annual general meeting of the Company. All members of the Committee shall be requested to attend the annual general meeting.

4 Duties and Responsibilities

- 4.1 The Committee should carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

4.2 The Committee shall:

- 4.2.1 have responsibility for setting the remuneration policy for all executive directors and the Company's chairman (the "**Remuneration Policy**"). The Remuneration Policy will cover fixed and performance-based remuneration and benefits, including pension rights and any compensation payments. The Board itself or, where 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 their own remuneration;
- 4.2.2 submit the Remuneration Policy to a binding vote of shareholders in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and consider and, where appropriate, respond to feedback from shareholders through that process;
- 4.2.3 recommend and monitor the level and structure of remuneration for senior management;
- 4.2.4 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 UK Corporate Governance Code (the "**Code**") and associated guidance. The objective of such 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. The Remuneration Policy should have regard to the culture and risk appetite of the Company and alignment to 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;
- 4.2.5 when setting the Remuneration Policy for directors, review and have regard to pay and employment conditions across the Company and Group especially when determining annual salary increases;
- 4.2.6 review the ongoing appropriateness and relevance of the Remuneration Policy and its alignment with best practice, ensure compliance with the agreed policy and the need to apply any adjustments including the application of malus and clawback arrangements;
- 4.2.7 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 the chairman, each executive director, company secretary and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- 4.2.8 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, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;

- 4.2.9 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- 4.2.10 approve the design of, and determine targets for, any performance related bonus schemes operated by the Company and recommend to the Board the annual bonus arrangements and the rules of the bonus scheme;
- 4.2.11 at the end of each financial year, determine the actual performance against targets and recommend to the Board for approval the total and individual annual payments to be made under the bonus scheme (in accordance with the provisions in schedule A of the Code);
- 4.2.12 review the design of all share incentive plans and:
 - (a) recommend the share incentive arrangements for approval by the Board;
 - (b) approve the share incentive plan rules and any amendments to the plans before obtaining any required shareholder approval;
 - (c) recommend to the Board each year whether awards will be made and if so the overall amount of the awards, the individual awards to directors and other designated senior executives and the performance targets to be used; and
 - (d) determine, in conjunction with any advisers the Committee has appointed, whether and to what extent the performance targets have been satisfied;
- 4.2.13 determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;
- 4.2.14 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 and approve good leaver status, the treatment of any deferred awards and any compensation payments for directors in excess of his or her contractual terms;
- 4.2.15 oversee any major changes in employee benefits structures throughout the Company or group;
- 4.2.16 agree the policy for authorising claims for expenses from the directors; and
- 4.2.17 work and liaise as necessary with all other board committees.

5 Reporting responsibilities

- 5.1 The Committee chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

- 5.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 5.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce a report of the Company's Remuneration Policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the annual general meeting. 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.
- 5.4 Through the chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.
- 5.5 Assist the Board by preparing a statement for inclusion in the directors' report (to shareholders as contained in the annual report) describing the roles and responsibilities of the Committee and actions taken by the Committee to discharge its responsibilities; as well as listing the names and qualifications of all members of the Committee, the number of Committee meetings and attendance by each member.
- 5.6 Make available these terms of reference, explaining the role and the authority delegated to it by the Board, by including the information on the Company's website.

6 Other matters

The Committee shall:

- 6.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 6.2 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;
- 6.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, Prospectus and Disclosure and Transparency Rules and any other applicable guidelines and/or rules, as appropriate; and
- 6.4 at least annually review its own performance and 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.

7 Authority

The Committee is authorised by the Board to:

- 7.1 obtain, at the Company's expense, outside legal or other professional advice, including commissioning any reports which it deems necessary, on any matters within its terms of reference;

- 7.2 investigate any activity within its terms of reference; and
- 7.3 seek any information it requires from any director or employee of the Company.