

**Mereo BioPharma Group plc
("the Company")**

Remuneration Committee

Terms of Reference

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REMUNERATION COMMITTEE TERMS OF REFERENCE

Reference to "the Board" shall mean the board of directors.

Reference to "the Committee" shall mean the Remuneration Committee.

Reference to "the Code" shall be to the UK Corporate Governance Code.

The Committee was established by the Board on 19 October 2015.

1. Membership

- 1.1 The Committee shall be made up of at least three members, all of whom are 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 of the Board. 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.
- 1.2 Only members of the Committee have the right to attend Committee meetings. 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.
- 1.3 Appointments to the Committee shall be 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 the committee.
- 1.4 The Board shall appoint the Committee chairman who shall be an independent non-executive director. 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 by the Board. The chairman of the Board shall not be chairman of the Committee.
- 1.5 The initial members of the Committee shall be Mr Peter Bains, Dr Frank Armstrong and Dr Anders Ekblom (Chairman).

2. **Secretary**

The Company secretary or their 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.

3. **Quorum**

The quorum necessary for the transaction of business shall be two members. 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. **Meetings**

The Committee shall meet at least twice a year and at such other times as the chairman of the Committee shall require.

5. **Notice of Meetings**

Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the Committee chairman. 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.

6. **Minutes of Meetings**

6.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee, and, once agreed, to all members of the Board, unless in the opinion of the Committee chairman it would be inappropriate to do so.

7. **Annual Meeting**

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

8. **Duties**

The Committee shall carry out the duties detailed below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate (and references to the Company shall be interpreted accordingly):

- 8.1 determine and agree with the Board the framework or broad policy for the remuneration the Company's chairman, chief executive, the executive directors, the Company secretary and other members of senior management as it is designated to consider, including pension rights and any compensation payments. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;
- 8.2 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 Code and associated guidance. The objective of such policy shall be to ensure that senior 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;
- 8.3 when setting remuneration policy for directors, review and have regard to the remuneration trend across the Company, especially when considering annual salary increases;
- 8.4 review the ongoing appropriateness and relevance of the remuneration policy;
- 8.5 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 (in accordance with the provisions of Schedule A of the Code);
- 8.6 review the design of all share incentive plans for approval by the Board and shareholders. 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 senior management and the performance targets to be used;
- 8.7 determine the policy for, and scope of, pension arrangements for the executive directors and each designated member of senior management;
- 8.8 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;
- 8.9 within the terms of the agreed policy and in consultation with the chairman and/or chief executive as appropriate, propose the total individual remuneration package of the chairman, each executive director, the Company secretary and other members of the senior management including bonuses, incentive payments and share options or other share awards;

- 8.10 in determining such packages and arrangements, give due regards to any relevant legal requirements;
- 8.11 oversee any major changes in employee benefits structures throughout the Company;
- 8.12 agree the policy for authorising claims for expenses from the chairman and directors;
- 8.13 ensure that all provisions regarding disclosure of remuneration including pensions are fulfilled; and
- 8.14 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee: and to obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help 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, subject to any budgetary restraints imposed by the Board.

9. **Reporting Responsibilities**

- 9.1 The Committee chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 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 should make available its terms of reference, explaining its role and the authority delegated to it by the Board. Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the Company.
- 9.4 Through the chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

10. **Other**

The Committee shall:-

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 10.3 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, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency

Rules as well as guidelines published by the Association of British Insurers and the National Association of Pension Funds and any other applicable rules, as appropriate; and

- 10.4 at least once a year, review its own performance, 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. **Authority**

- 11.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 11.2 In connection with its duties, the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.