



**Verona Pharma**<sup>®</sup>  
Breath of Innovation

VERONA PHARMA PLC  
(the “Company”)

## REMUNERATION COMMITTEE TERMS OF REFERENCE

Updated by the Board on December 14, 2023, effective January 1, 2024

### CONSTITUTION

1. The board of directors (the “**Board**”) hereby resolves to establish a committee of the board to be known as the remuneration committee (the “**Remuneration Committee**”):
  - (a) to ensure that the Company's directors and senior executives are fairly rewarded for their individual contributions to the Company's overall performance by determining their pay and perquisites;
  - (b) to demonstrate to all shareholders that the remuneration of the senior executive members of the Company is set out by a committee of the Board who will give due regard to the interests of the shareholders and to the financial and commercial health of the Company; and
  - (c) to administer the Company's share option plans and other share award schemes in place from time to time and approve grants of options or other share awards to directors, employees and consultants under such plans and schemes.

### STRUCTURE AND MEMBERSHIP

2. The members of the Remuneration Committee shall be appointed by the Board (and may be removed by the Board with or without cause), shall comprise at least two members. Except as otherwise permitted by the applicable rules of The Nasdaq Stock Market LLC (“**Nasdaq**”), each member of the Remuneration Committee shall be an “independent director” as defined by Nasdaq Rule 5605(a)(2) and otherwise meet the applicable criteria for independence set forth in Rule 5605(d)(2) of the Nasdaq rules.
3. Members of the Remuneration Committee must make any personal financial interests known to the Remuneration Committee as soon as any such interest arises.
4. The chairman of the Remuneration Committee shall be appointed by the Board. The membership of the Remuneration Committee shall be set out in the annual report of the Company.
5. A quorum of the Remuneration Committee shall be a majority of the members of the Remuneration Committee then serving.

## **ATTENDANCE AT MEETINGS**

6. Other non-executive directors may attend meetings of the Remuneration Committee. The Remuneration Committee may nominate one of its members, the company secretary or such other person as it deems appropriate to be the secretary of meetings.

## **FREQUENCY**

7. Meetings shall be held not less than twice a year and wherever the Remuneration Committee sees fit. The external auditors may request a meeting if they consider that one is necessary.

## **NOTICE OF MEETINGS**

8. Meetings of the Remuneration Committee shall be summoned at the request of any of its members.
9. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of matters to be discussed shall be forwarded to each member and other person required to attend no later than 2 days before the date of the meeting.

## **AUTHORITY**

10. The Remuneration Committee is authorized by the Board to conduct or authorize investigations on any activity within its terms of reference as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Remuneration Committee or any advisors engaged by the Remuneration Committee.
11. The Remuneration Committee is authorized by the Board, in its sole discretion, to retain or obtain the advice of such remuneration consultants, legal counsel and other advisors as the Remuneration Committee deems necessary or appropriate to carry out its responsibilities. In connection with retaining or obtaining the advice of such consultants, counsel and advisors, other than in-house legal counsel, the Remuneration Committee shall take into consideration the factors affecting independence required by applicable laws, U.S. Securities and Exchange Commission ("**SEC**") rules and Nasdaq rules. The Remuneration Committee shall be directly responsible for the appointment, remuneration and oversight of the work of any consultants, counsel and advisors that it retains. The Remuneration Committee is empowered, without further action by the Board, to cause the Company to pay the remuneration of such consultants, counsel and advisors as established by the Remuneration Committee.
12. The Remuneration Committee shall:
  - (a) give due consideration to applicable laws and regulations, including the

Companies Act 2006, the requirements of the Nasdaq rules or any other national or global securities exchange on which the Company's securities are listed, and the rules and regulations promulgated under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and any other applicable rules, as appropriate; and

- (b) periodically evaluate its own performance and, at least once a year, review and assess its constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.

#### **VOTING ARRANGEMENTS**

- 13.** Each member of the Remuneration Committee shall have one vote which may be cast on matters considered at the meeting. Votes may only be cast by members attending the meeting.
- 14.** If a matter considered by the Remuneration Committee is one in which a member has a personal interest (either directly or indirectly), that member shall not be permitted to vote at the meeting.
- 15.** Save where he or she has a personal interest, in the event of an equality of votes the Chair of the Remuneration Committee will have a second or casting vote.

#### **DUTIES AND TERMS OF REFERENCE**

- 16.** The Remuneration Committee shall:
  - (a) determine and agree with the Board the framework for the remuneration of the Company's chief executive, chairman, the executive directors, the company secretary and such other members of the Company's management as it is designated to consider. No director or manager shall be involved in any decisions as to their own remuneration; moreover, the Remuneration Committee shall meet without the presence of executive officers when approving or deliberating on chief executive remuneration but may, in its discretion, invite the chief executive to be present during the approval of, or deliberations with respect to, other executive officer remuneration. Within the terms of the agreed policy and in consultation with the chairman and/or chief executive as appropriate, the Remuneration Committee shall determine the total individual remuneration package of each executive director and member of management including bonuses, incentive payments and share options and other share awards;
  - (b) review the ongoing appropriateness and relevance of the remuneration policy;
  - (c) approve all service contracts between the Company and its directors or between the Company and any subsidiary and its directors;
  - (d) review the design of all of the Company's 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 executive directors, the company secretary and such other members of the Company's management as it is designated to consider and the performance targets to be used. To the extent permitted by and consistent with applicable law and the provisions of a given equity-based plan, the Remuneration Committee may delegate to one or more executive officers of the Company the power to grant options or other share or equity-based awards pursuant to such equity-based plan to employees of the Company or any subsidiary of the Company who are not officers (as defined in Rule 16a-1(f) under the Exchange Act) or directors of the Company. The Remuneration Committee shall approve, or recommend for approval by the Board, any inducement awards to be granted in reliance on the exemption from shareholder approval contained in Nasdaq Rule 5635(c)(4);

- (e) determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- (f) administer and oversee the Company's compliance with the compensation recovery policy required by applicable SEC and Nasdaq rules;
- (g) be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee and, when considered necessary, to obtain reliable, up-to-date information about remuneration in other companies;
- (h) make a report each year to the shareholders on behalf of the Board, which report should form part of, or be annexed to, the Company's annual report and accounts and which, in such manner as the Remuneration Committee may decide, address the following:
  - (i) the report should be the main vehicle through which the Company accounts to shareholders for directors' remuneration. It should, to the extent required to be disclosed by the Companies Act 2006, include for each director by name the following:
    - (A) full details of all elements in the remuneration package, such as basic salary, benefits in kind, annual bonuses and long-term incentive schemes including share options, and the extent to which performance criteria are being met;
    - (B) share options and pension entitlements, calculated on a basis to be recommended by the Faculty of Actuaries and the Institute of Actuaries;
    - (C) if annual bonus or benefits in kind are pensionable the report should explain and justify;
  - (ii) the report should also set out, to the extent required to be disclosed by the Companies Act 2006, the Company's general policy on executive remuneration, including levels, individual components, performance criteria and measurement, pension provision, contracts of service,

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compensation commitments on early termination, any special arrangements made and material changes made during the year;

- (iii) the report should state that, in framing its remuneration policy, the Remuneration Committee has given full consideration to the best practice provisions set out in paragraph 17 and should list the members of the Remuneration Committee;
  - (iv) any service contracts which provide for, or imply, notice periods in excess of one year (or any provisions for predetermined compensation on termination which exceed one year's salary and benefits) should be disclosed in the report and the reasons for the longer notice periods explained; and
  - (v) to the extent required to be disclosed by the Companies Act 2006, the report should take account of or note shareholdings and other relevant business interests and activities of the directors.
- (i) periodically review and make recommendations to the Board with respect to non-executive director remuneration;
  - (j) to the extent that the Company is required to include the "Compensation Discussion and Analysis" required by Item 402(b) of Regulation S-K ("CD&A") in the Company's Annual Report on Form 10-K, proxy statement on Schedule 14A or information statement on Schedule 14C (collectively, the "Proxy Documents"), review and discuss with management the Company's CD&A and consider whether it will recommend to the Board that the Company's CD&A be included in the Proxy Documents; and
  - (k) if required, prepare the annual Compensation Committee Report pursuant to Item 407(e)(5) of Regulation S-K.

## **REMUNERATION POLICY**

**17.** In fulfilling its duties, the Remuneration Committee shall take account of the following:

- (a) the Remuneration Committee must provide the packages needed to attract, retain and motivate directors and senior executives of the quality required but should avoid paying more than is necessary for this purpose;
- (b) the Remuneration Committee should judge where to position their Company relative to other companies. It should be aware what other comparable companies are paying and should take account of relative performance;
- (c) the Remuneration Committee should be sensitive to the wider scene, including pay and employment conditions elsewhere in the Company, especially when determining annual salary increases;
- (d) the Remuneration Committee should oversee any major changes in employee benefits structures throughout the Company;

- (e) the performance-related elements of remuneration should be designed to align the interests of directors and senior executives and shareholders and to give directors and senior executives keen incentives to perform at the highest levels;
- (f) the Remuneration Committee should approve the design of, and determine targets for, any performance related pay schemes (including share incentive plans) and approve the total annual payments made under such schemes;
- (g) executive share options should never be issued at a discount;
- (h) the Remuneration Committee should consider the pension consequences and associated costs to the Company of basic salary increases, especially for directors and senior executives close to retirement; and
- (i) in general, neither annual bonuses nor benefits in kind should be pensionable.

## **SERVICE CONTRACTS AND COMPENSATION**

- 18.** The Remuneration Committee should consider what compensation commitments the contracts of service with directors and senior executives, if any, would entail in the event of early termination, particularly for unsatisfactory performance, taking into account the following:
- (a) there is a strong case for setting notice or contract periods at, or reducing them to, one year or less. The Remuneration Committee should, however, be sensitive and flexible, especially over timing. In some cases notice or contract periods of up to two years may be acceptable. Longer periods should be avoided wherever possible; and
  - (b) within the legal constraints, the Remuneration Committee should tailor their approach in individual early termination cases to the wide variety of circumstances. The broad aim should be to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.

## **PROCEDURES AND ADMINISTRATION**

- 19.** The Remuneration Committee may form and delegate authority to one or more subcommittees as it deems appropriate from time to time under the circumstances (including (a) a subcommittee consisting of a single member and (b) a subcommittee consisting of at least two members, each of whom qualifies as a “non-employee director,” as such term is defined from time to time in Rule 16b-3 promulgated under the Exchange Act, and the rules and regulations thereunder).
- 20.** The secretary shall circulate the minutes of meetings of the Remuneration Committee to all members of the Board. The Remuneration Committee may, in addition, at any time request a full meeting of the Board at which its conclusions shall be reported.
- 21.** The Remuneration Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is

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needed.

- 22.** The recommendations of the Remuneration Committee must be approved by the Board before they can be implemented.
- 23.** The Chair of the Remuneration Committee shall attend each Annual General Meeting of the company to respond to any questions on the Remuneration Committee's activities.
- 24.** The Chair of the Remuneration Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

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