

SOPHEON PLC (“THE GROUP”)

REMUNERATION & APPOINTMENTS COMMITTEE TERMS OF REFERENCE

Composition, attendees, quorum & reporting

1. The Remuneration and Appointments Committee is a Committee of the Board (“the Board”), and reports directly to the Board. The Chairperson of the Committee is appointed by the Board. In addition to the Chairperson, the Committee comprises all non-executive directors and the Executive Chairman. At least one member of the Committee shall have significant, recent and relevant financial experience.
2. The Executive Chairman will not participate in discussion of his or her own remuneration.
3. The Committee has the authority of the Board to have access to any information or employee of the Group in the course of undertaking its responsibilities, and to obtain outside legal or other independent advice.
4. Until otherwise determined by the Committee, a quorum shall consist of two members of the Committee.
5. The Committee will have the power to co-opt external members as appropriate.
6. The Committee will continually review the training and development needs of committee members. The Chair of the Committee will ensure there will be an induction programme for new Committee members.
7. The Committee will meet not less than twice a year and additionally as may be necessary.
8. The Executive Chairman is the Secretary to Committee Meetings. Minutes of meetings will be reviewed by the Board when approved by the Committee Chairperson.
9. The Chair of the Committee (or in his/her absence, another member of the Committee) shall report to the Board at the next Board meeting.

General Objectives

1. On behalf of the Board it maintains oversight of the Group’s compensation and reward policies for senior management, in particular with respect to the salary, benefits and incentives for the executive directors, and the overall corporate bonus scheme. The objective is to promote the long term success of the Company without paying more than is considered necessary.
2. On behalf of the Board it leads the process for appointments of directors to the Board.

Specific Responsibilities

Remuneration

1. Determine an overall remuneration policy applicable to the executive directors, having regard for each reward element the link to strategic objectives, how it operates, performance measures and maximum potential. Performance-related elements should be transparent and stretching.
2. Determine the salary and incentive payments for the executive directors within the agreed policy, in relation to directors taking into account remuneration policy and practice across senior management in the group, shareholder views and review the on-going appropriateness. No director or senior manager shall be involved in any decisions as to their own remuneration.

3. Design, implement and manage performance related pay schemes for the executive directors and the overall corporate bonus plan, to include target setting. Performance criteria should be challenging and should reflect the Company's objectives and include non-financial performance metrics where appropriate. Regard should also be given to the risk-related aspects of remuneration policy to avoid incentivising excessive risk-taking and to ensure that the Committee has oversight of any associated risks throughout the group, which may arise as a result of remuneration.
4. 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 executive directors and any performance targets to be used.
5. Ensure that contractual terms on termination and any payments made on termination are in line with the good business practice, fair to the individual and Company, that failure is not rewarded and that the duty to mitigate the loss is reflected.
6. Determine and apply discretion in a manner that reflects the best interests of the Company and its shareholders.
7. Set the policy for authorising expense claims from the Chief Executive, Finance Director and Chairman.
8. The committee may, at the expense of the Company but within any budgetary restraints imposed by the Board, (i) appoint remuneration consultants to conduct a review of the compensation arrangements and provide advice. If appointed, such consultants should be identified in the Annual Report and a statement made as to whether they have any other connection with the Company; or (ii) commission or purchase any reports, surveys or information which it deems necessary.
9. Prepare a Remuneration Report for approval by the Board, and shareholders, in line with relevant legislation and regulation applicable to the Company, for publication in the Annual Report.
10. Work and liaise as necessary with all other Board committees.

Appointments

1. 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;
2. 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;
3. Make recommendations to the Board concerning the re-election by shareholders of Directors under the annual re-election provisions of relevant codes 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 on the other hand the benefits of refreshing of the Board
4. Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
5. Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
6. Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
7. 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
 - use open advertising or the services of external advisers to facilitate the search

- consider candidates from a wide range of backgrounds
 - 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
 - determine the remuneration applicable, including for executive directors the maximum level of variable remuneration which may be granted
 - require the candidate 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
8. Ensure that on appointment to the Board, 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;
 9. Review the results of the Board performance evaluation process that relate to the composition of the board;
 10. Work and liaise as necessary with all other board committees.