REMUNERATION COMMITTEE
TERMS OF REFERENCE

1. PURPOSE

The purpose of the Committee is to establish a formal and transparent procedure for developing policy on executive remuneration and to set or oversee as appropriate the remuneration packages of individual directors, Senior Management and employees of the Company.

2. MEMBERSHIP

2.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors as determined by the board. If the Board decides that a member of the Committee is no longer independent, that member will cease to be a member of the Committee. The Chair may also serve on the Committee as an additional member (but not chair) if he or she was considered independent on appointment as Chair.

2.2 Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee and in consultation with the chair of the remuneration committee and shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided members (other than the Chair, if he or she is a member of the Committee) continue to be independent.

2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the Company’s global head of people policy and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

2.4 The Board shall appoint the Committee Chair who shall be an independent non-executive director who should have served on a remuneration committee for at least 12 months. 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 who would qualify under these terms of reference to be appointed to that position by the Board. The Chair shall not be Committee Chair.

2.5 Decisions of the Committee will be made by majority vote. In the event of an equality of votes, except where he or she has a personal interest, the Chair shall have a casting vote.

3. SECRETARY

The Company Secretary or his or her nominee shall act as the Secretary 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.

4. QUORUM

The quorum necessary for the transaction of business by the Committee shall be two.

5. FREQUENCY OF MEETINGS

The Committee shall meet at least twice a year and otherwise as required.

6. NOTICE OF MEETINGS

6.1 Meetings of the Committee shall be called by the Secretary at the request of the Committee Chair or any of its members.
6.2 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 and any other person required to attend 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.

6.3 Notices, agendas and supporting papers can be sent in electronic form.

7. MINUTES OF MEETINGS

7.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

7.2 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 and the Company Secretary, unless, exceptionally, it would be inappropriate to do so.

7.3 Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company’s records.

8. ANNUAL GENERAL MEETING

The Committee Chair should attend the annual general meeting to answer any shareholder questions on the Committee’s activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee’s areas of responsibility.

9. DUTIES

9.1 The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

9.2 The Committee shall:

(a) have delegated responsibility for determining the policy for directors’ remuneration and setting remuneration for the Chair and Executive Directors and Senior Management, including the Company Secretary, in accordance with the principles and provisions of the UK Corporate Governance Code;

(b) establish remuneration schemes that promote long-term shareholding by Executive Directors that support alignment with long-term shareholder interests, with share awards subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;

(c) design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to Company purpose and values, clearly linked to the successful delivery of the Company’s long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances;

(d) when determining Executive Director remuneration policy and practices, consider the UK Corporate Governance Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture;

(e) no Director or Senior Management shall be involved in any decisions as to their own remuneration outcome. 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 and the Company’s shareholder approved directors’ remuneration policy;

(f) in determining the remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance 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;

(g) review the ongoing appropriateness and relevance of the remuneration policy and consult with significant shareholders and other stakeholders as appropriate;

(h) within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each executive director, the Chair and Senior Management including bonuses, incentive payments and share options or other share awards. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of Company and individual performance, and wider circumstances;

(i) have full 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. However the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants;

(j) review the design of all share incentive plans for approval by the Board and, where required, 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 for executive directors and Senior Management, and the performance targets to be used;

(k) review workforce remuneration and related policies and take these into account when determining the remuneration of the Chair and Executive Directors and Senior Management; and

(l) work and liaise as necessary with all other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly.

10. REPORTING RESPONSIBILITIES

10.1 The Committee Chair shall report to the Board after each Committee meeting on the nature and content of its discussion, recommendations and action to be taken.

10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.

10.3 The Committee shall provide a description of its work in the annual report in line with the requirements of the UK Corporate Governance Code.

10.4 The Committee shall also ensure that provisions regarding disclosure of information relating to directors’ remuneration including, where required by law, the directors’ remuneration policy and its implementation, as set out in the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Companies Act 2006, the Financial Conduct Authority’s Listing Rules, Companies (Directors’ Remuneration Policy and Directors’
Remuneration Report) Regulation 2019 and the UK Corporate Governance Code and all other relevant laws, regulations and guidance (each as amended from time to time), are fulfilled and that a report on the directors’ remuneration policy and practices is included in the Company’s annual report and put to shareholders for approval at the AGM as necessary.

10.5 If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the Company or individual directors.

11. OTHER MATTERS

11.1 The Committee shall:

(a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;

(b) 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;

(c) 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 UK Corporate Governance Code and the related Guidance for Board Effectiveness, and the requirements of the UK Financial Conduct Authority’s Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate;

(d) ensure that a periodic evaluation of the committee’s own performance is carried out;

(e) 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; and

(f) oversee any investigation of activities which are within its terms of reference.

12. AUTHORITY

The Committee is authorised by the Board to:

(a) undertake any activity within its terms of reference;

(b) seek any information from any group employee, contractor, consultant or other provider of services to the Company (including legal and tax advisers) to enable it to perform its duties;

(c) obtain, at the Company’s expense, outside legal or other professional advice on any matters within its terms of reference;

(d) call any group employee, contractor, consultant or other provider of services to be questioned at a Committee meeting, as and when required

(e) publish in the Company’s annual report details of any issues that have not been resolved between the Committee and the board; and

(f) delegate any of its powers to one or more of its members, the secretary, a sub-committee or such other body as it deems appropriate.
13. DEFINITIONS AND INTERPRETATION

13.1 In these terms of reference, unless the context otherwise requires:

“AGM” means the annual general meeting of the shareholders of the Company;

“Board” means the board of directors of the Company;

“Chair” means the chair of the Board;

“Chief Executive Officer” means the chief executive officer of the Company from time to time;

“Chief Financial Officer” means the chief financial officer of the Company from time to time;

“Committee” means the remuneration committee of the Company;

“Committee Chair” means the chair of the Committee;

“Company” means Darktrace plc;

“Company Secretary” means the secretary of the Company;

“Executive Directors” means the Chief Executive Officer and the Chief Financial Officer;

“Group” means the Company and its subsidiaries;

“Nomination Committee” means the nomination committee of the Company;

“Secretary” means the secretary of the Committee;

“Senior Management” includes those employees of the Group that report to the Chief Executive Officer and/or Chief Financial Officer; and

“UK Corporate Governance Code” means the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time.