

**HIKMA PHARMACEUTICALS PLC  
(THE "COMPANY")**

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE  
(THE "COMMITTEE")**

**(approved at a meeting of the board of directors held on 31 OCTOBER 2005)**

**1. INTRODUCTION**

The Combined Code on Corporate Governance (the "**Combined Code**") states that:

*"Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration".*

It further provides that:

*"The board should establish a remuneration committee ... [which] should make available its terms of reference, explaining its role and the authority delegated to it by the board".*

A copy of the Combined Code, should members of the Committee need to consult it, can be obtained from the Company secretary or the Company's legal advisers.

**2. TERMS OF REFERENCE TO BE MADE AVAILABLE**

The Committee should make available these terms of reference, explaining its role and the authority delegated to it by the board of directors of the Company (the "**Board**"). (The requirement to make this information available would be met by making such information available on request and including these terms of reference and such explanation on the Company website).

**3. MEMBERSHIP**

3.1 The members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the chairman of the Committee. The Committee shall be made up of at least 3 members, all of whom are independent non-executive directors.

3.2 The Board shall appoint the chairman of the Committee who shall be an independent non-executive director and determine the period for which they shall hold office. The chairman of the Board shall not be eligible to be appointed as chairman of the Committee.

3.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for no more than two further three-year periods, provided that at any one time all members of the Committee remain independent.

3.4 In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account.

**4. SECRETARY**

The Company secretary or their nominee shall act as the secretary of the Committee.

**5. MEETINGS**

- 5.1 **Frequency:** Meetings of the Committee shall be held as required, but not less than twice a year and at such other times as the chairman of the Committee shall require. The Committee should consider whether it needs a meeting in advance of the Company's year end to prepare any required statements (see 7.1(r), (s), (v), (w), (y) below) and in advance of the annual general meeting to consider various issues including the preparation of a remuneration report as required under the [Directors' Remuneration Report Regulations 2002](#) (see 7.1(u)-(w) below). The Committee should also consider organising meetings to maximise attendance, for example, time-tabling them to coincide with Board meetings.
- 5.2 **Right to attend:** No one other than the Committee chairman and its members is entitled to be present at a meeting of the Committee but other individuals (for example, such as the Chief Executive, head of human resources and external advisers) may be invited to attend for all or part of any meeting as and when appropriate.
- 5.3 **Notice:** Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its member. 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 5 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.
- 5.4 **Quorum:** The quorum necessary for the transaction of business shall be 2 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.
- 5.5 **Chairman:** In the absence of the appointed Chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting. The Chairman of the Committee shall have a casting vote on all matters in the event of an equality of votes.
- 5.6 **Minutes:** The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interest exists.

## 6. ANNUAL GENERAL MEETING

The chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## 7. DUTIES

In discharging the duties set out below, the members of the Committee shall have regard to the Main and Supporting Principles at B.1 of the Combined Code and Combined Code Provisions on Remuneration (B.1.1 to B.1.2 inclusive, including schedule A to the Combined Code which contains provisions on the design of performance-related remuneration) and Combined Code Provisions on Directors' Service Contracts and Compensation (B.1.5 to B.1.6 inclusive).

- 7.1 The Committee shall:

### **As regards determining and monitoring policy on and setting levels of remuneration**

- (a) determine and agree with the Board the framework or broad policy for setting remuneration for the Chief Executive, the Chairman, all executive directors, the

Company secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors (including members of the Committee) shall be a matter for the Board itself (or where required by the Articles of Association, the shareholders). No director or manager shall be involved in any decisions as to their own remuneration;

- (b) in determining policy on executive remuneration, the objective of such policy shall be to ensure that levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and that incentives are provided as appropriate to encourage enhanced performance and to reward, in a fair and responsible manner, directors' individual contributions to the success of the Company;
- (c) keep under review the appropriateness and relevance of the remuneration policy;
- (d) within the terms of the agreed policy, have delegated responsibility for setting the total individual remuneration package of all executive directors and the chairman including, where appropriate, pension rights and any bonuses, incentive payments, share options or other share awards;
- (e) recommend and monitor the level and structure of remuneration for senior management;
- (f) consult with the Chairman and/or Chief Executive about the Committee's proposals relating to the individual remuneration packages of other executive directors (and senior managers as required);
- (g) be aware of and oversee any major changes in employee benefit structures throughout the Company or group;
- (h) review and note annually remuneration trends and employment conditions across the Company or group;
- (i) be exclusively responsible for obtaining reliable, up-to-date information about remuneration in other companies with a view to determining where to position the Company relative to other companies;
- (j) in agreeing the policy for the level and make-up of remuneration, and in determining total remuneration packages and arrangements of executive directors and other senior managers, give due regard to the comments and recommendations of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance;

#### **As regards contracts of employment**

- (k) to approve any contract of employment within the Hikma Group which has an initial term of two years or more taking into account any period of notice required to terminate such contract;
- (l) to approve any contract of employment which requires more than 6 months' notice to determine unless it does not require approval pursuant to 7.1(k) above;
- (m) to approve any new contract of employment within the Hikma Group where the total remuneration and benefits payable to an employee in respect of salary, including guaranteed bonus would exceed £● (or its equivalent) per annum or the gross amount of compensation (ignoring mitigation or any other factors reducing the amount payable) on termination of any such contract would exceed £● (or its equivalent);

### **As regards early termination**

- (n) determine the Company's policy in relation to compensation agreed to be paid to any executive director or other senior managers in connection with early termination of employment and, where appropriate, office as director;
- (o) 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;

### **As regards performance-related pay**

- (p) 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. (Provisions on the design of performance-related remuneration covering share option schemes, bonus schemes and long-term incentive schemes can be found at schedule A to the Combined Code and should be consulted when the Committee comes to design or review such schemes. Schedule A to the Combined Code also be found on the Financial Reporting Council website at [www.frc.org.uk/corporate/combinedcode.cfm](http://www.frc.org.uk/corporate/combinedcode.cfm));
- (q) 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 other senior management and the performance targets to be used;
- (r) ask the Board, when appropriate, to seek shareholder approval for all new long term incentive schemes (as defined in the Listing Rules) as well as any significant changes to existing schemes, save in the circumstances permitted by the Listing Rules;

### **As regards pension arrangements**

- (s) determine the policy for and scope of pension arrangements for each executive director;

### **As regards authorising claims for expenses from the Chief Executive and Chairman**

- (t) agree the policy for authorising claims for expenses from the Chief Executive and Chairman of the Company;

### **As regards reporting and disclosure**

- (u) ensure that all provisions regarding disclosure of directors' remuneration including pensions arrangements, as set out in the [Directors' Remuneration Report Regulations 2002](#) and the Combined Code, are fulfilled;
- (v) produce an annual report on the Company's remuneration policy and procedures and practices, particularly with regard to the work of the Committee, which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval at the annual general meeting as required under the [Directors' Remuneration Report Regulations 2002](#);
- (w) produce the statement required to be included in the annual report of the Company identifying the membership of the Committee and the frequency of, and attendance by members at, Committee meetings over the course of the year;

**As regards remuneration consultants**

- (x) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms for any remuneration consultants who advise the Committee, at the Company's expense;
- (y) where remuneration consultants are appointed, make a statement available of whether they have any other connection with the Company; and

**As regards general**

- (z) to consider other matters as referred to the Committee by the Board.

**8. OTHER**

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**9. REPORTING RESPONSIBILITIES**

- 9.1 The Committee Chairman shall report formally 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 In addition, all evaluations, reviews and decisions of the Committee made in respect of policy on or for setting remuneration shall be referred to the Board and shall take effect only upon approval thereof by resolution of the Board in accordance with the Company's articles of association.

**10. AUTHORITY AND POWERS**

- 10.1 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.
- 10.2 The Committee is authorised to obtain, at the Company's expense, any outside legal or other professional advice on any matters within its terms of reference.