

CORERO NETWORK SECURITY PLC

REMUNERATION COMMITTEE
TERMS OF REFERENCE

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

1. MEMBERSHIP

- 1.1. The Remuneration Committee ("Committee") shall be appointed by the Board and shall consist of at least two non-executive directors.
- 1.2. The chairman of the Committee shall be appointed by the Board.
- 1.3. The chairmanship of the Committee will be subject to annual review by the Board.
- 1.4. The Company CFO or his or her nominee shall act as the secretary of the Committee.

2. PURPOSE OF THE COMMITTEE

The role of the Committee is to assist the Board of directors to:

- 2.1. Ensure the Company remunerates directors and executives fairly and responsibly.
- 2.2. Ensure the disclosure of director and executive remuneration is accurate, complete and transparent.

3. NOTICE AND MINUTES OF MEETINGS

- 3.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman.
- 3.2. 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, any other person required to attend and all other non-executive directors, no later than three 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.
- 3.3. The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 3.4. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee.

4. RESPONSIBILITIES OF THE COMMITTEE

- 4.1. Determining and agreeing with the Board the framework or broad policy for the remuneration of the chief executive, the chairman of the Company (where executive) and other members of the executive management.
- 4.2. Setting remuneration for all executive directors and executive management.
- 4.3. Approving the Company's long-term incentive plans (including share option plans) and awards under such plans including the vesting periods and performance conditions applicable to any awards.

- 4.4. Recommending the remuneration of non-executive directors to the Board.
- 4.5. Determining the structure and targets for any performance-related pay schemes operated by the Company.
- 4.6. Determine the policy for pension arrangements for executive directors.
- 4.7. Ensuring that contractual terms on employment contract termination, and any payments made, are fair to the individual and the Company, and that failure is not rewarded.
- 4.8. Within the terms of the agreed policy, determining the total remuneration package of each executive director including, where appropriate, bonuses, incentive payments and share options.
- 4.9. Agreeing the policy for authorising director's claims for expenses.
- 4.10. Ensuring that requirements regarding financial statement disclosure of remuneration, including pensions, are fulfilled.
- 4.11. Establishing the selection criteria for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 4.12. Oversee any major changes in employee benefits structures throughout the Company or the Group.

5. AUTHORITY

- 5.1. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any director or employee and all directors and employees are directed to co-operate with any request made by the Committee.
- 5.2. The Committee may propose to the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers it necessary.
- 5.3. No director should be involved in any decisions as to their own remuneration (and should be excluded from any vote in relation to their remuneration).

6. ATTENDANCE AT MEETINGS

- 6.1. Executive directors and other members of senior management as may be required. Professional advisors and board members as may be required by the Committee.
- 6.2. No attendee shall have a vote at meetings of the Committee.

7. FREQUENCY OF MEETINGS

- 7.1. Meetings of the Committee will be held as frequently as the Committee considers appropriate but subject to a minimum of two meetings a year.
- 7.2. The quorum for decisions of the Committee shall be any two members of the Committee present throughout the meeting of the Committee.

8. OTHER MATTERS

The Committee shall:

- 8.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required.
- 8.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 8.3. Give due consideration to laws and regulations, the provisions of the QCA Code and the requirements of AIM rules, as appropriate.
- 8.4. Arrange for periodic reviews of its own performance and, 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.