

## **VIVOPOWER INTERNATIONAL PLC (the "Company")**

### **TERMS OF REFERENCE FOR REMUNERATION COMMITTEE**

The following updated and revised terms of reference were proposed and adopted by a resolution of the Board of Directors on December 21, 2016.

#### **1. CONSTITUTION**

The Remuneration Committee was established as a Board Committee on November 2, 2016. In these terms of reference, the "**Group**" means the Company and its subsidiary undertakings from time to time.

#### **2. MEMBERSHIP**

##### **2.1 Appointment of Committee**

The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominating Committee and in consultation with the chairman of the Remuneration Committee.

Subject to Company's reliance on any applicable phase-in rules, interpretations applicable to newly-listed companies, and applicable exemptions, all members of the Committee shall be independent non-executive directors that is, independent of management and free from any business or other relationship which could materially interfere with the exercise of their business judgement, and shall satisfy applicable independence standards under the laws, rules and regulations of the Securities and Exchange Commission, the Nasdaq Capital Market and under the Companies Act 2006 (collectively, "**Applicable Rules**").

##### **2.2 Other attendees**

Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as the chief executive officer, other officers and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

##### **2.3 Reconfirmation**

Each appointed Committee member shall be subject to annual reconfirmation and may be removed by the Board at any time.

##### **2.4 Committee chairman**

The Board shall appoint the Committee chairman and may also appoint a deputy chairman. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from

those who would qualify under these terms of reference to be appointed to that position by the Board.

3. **SECRETARY**

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

4. **QUORUM**

The quorum necessary for the transaction of business shall be two members. If less than a quorum is available for a given meeting, the Board may, in its discretion, delegate the responsibilities of the Committee to the available members of the Committee and/or any substitute members who meet the qualifications for membership for the purposes of such meeting, provided that decisions made under such authority shall be presented to the full Committee at its next meeting.

5. **FREQUENCY OF MEETINGS AND NOTICE**

5.1 **Number of meetings**

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

5.2 **Calling of meetings**

Meetings of the Committee shall be called by the Committee secretary at the request of the Committee chairman.

Meetings may be in person or by conference call or other similar communications equipment by means of which all persons participating in the meeting can hear each other. The Committee may also act by unanimous written consent.

5.3 **Notice of meetings**

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, as appropriate, shall be forwarded to each member of the Committee and to any other person required to attend, as well as to all other non-executive directors, no fewer than two working days before the date of the meeting.

6. **MINUTES OF MEETINGS**

6.1 **Preparation of minutes**

The Committee secretary shall minute the proceedings and decisions of all Committee meetings, including the names of those present and in attendance.

## 6.2 **Circulation of minutes**

The Committee secretary shall promptly circulate draft minutes of Committee meetings to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee chairman it would be inappropriate to do so.

## 7. **ANNUAL GENERAL MEETING**

The Committee chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

## 8. **DUTIES**

### 8.1 **Duties of the Committee**

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

### 8.2 **Independent decision making**

No director or executive officer shall be involved in any decisions regarding their own compensation, or be present for any voting or deliberations on such compensation.

### 8.3 **Set remuneration policy for executive directors and executive officers.**

The Committee shall have responsibility for setting the remuneration policy for all executive directors and executive officers, with the exception of the chief executive officer, including pension rights and any compensation payments. The board itself (or, where required by the Articles of Association, the shareholders) should determine the compensation of the chief executive officer and the non-executive directors within the limits of the Articles of Association.

### 8.4 **Relevant factors**

- (a) In determining the remuneration policy, the Committee shall take into account all factors that it deems necessary, including Applicable Rules and any other applicable laws, rules or regulations.
- (b) The objective of that policy shall be to promote the long-term success of the Company without paying more than is necessary, having regard to views of shareholders and other stakeholders.
- (c) The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals.
- (d) A significant proportion of compensation should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.
- (e) The Committee is authorized by the Board to assess the compensation paid by other UK, US and Australian listed companies of a similar size in any comparable industry sector and to assess whether changes to the compensation are appropriate for the purpose of making compensation competitive or

otherwise comparable with the compensation paid by such companies.

**8.5 Have regard to the pay and employment conditions across the Group**

When setting remuneration policy, the Committee shall review and have regard to pay and employment conditions across the Company or Group particularly when determining annual salary increases.

**8.6 Review appropriateness and relevance of remuneration policy**

The Committee shall review the on-going appropriateness and relevance of the remuneration policy.

**8.7 Determining total individual compensation packages**

Within the terms of the agreed policy, the Committee shall determine the total individual compensation package of each executive director and executive officers, with the exception of the chief executive officer, including bonuses, incentive payments and share options or other share awards. The Committee shall make recommendations regarding the individual compensation package of the chief executive officer to the Board for its determination.

**8.8 Review and design share incentive and share option plans and determine awards**

The Committee shall review the design of all share incentive and share option plans for approval by the Board and shareholders. For any such plans, the Committee shall determine each year whether awards will be made, and if so, the overall amount of such awards, as well as the individual awards to executive directors and executive officers, with the exception of the chief executive officer, and the performance targets to be used. The Committee shall recommend the award proposed to be used for the chief executive officer to the Board for its approval.

**8.9 Administer share incentive and share option plans generally**

- (a) The Committee shall also administer all share incentive and share option plans including agreeing, amending and interpreting their rules, authorising the establishment of trusts, agreeing when to operate the plans, authorising the giving of financial assistance in connection with them, selecting participants, agreeing performance conditions and determining when they have been achieved and approving and authorising execution of all relevant documents.
- (b) Without prejudice to the foregoing, the Committee shall oversee and review all aspects of any share option or equity based incentive award scheme operated by or to be established by the Company, including but not limited to (subject always to the scheme rules and Applicable Rules):
  - (i) the selection of the eligible directors, employees, officers and consultants to whom options or other equity based incentives should be granted;
  - (ii) the timing of any grant;
  - (iii) the numbers of shares over which awards are to be granted;
  - (iv) the exercise price at which awards are to be granted; and

- (v) the imposition of any objective condition which must be complied with before any award may be exercised.
- (c) The Committee shall approve all awards to executive directors and executive officers with the exception of the chief executive officer. The Committee shall approve the overall number of awards to other employees and consultants, and may delegate the allocation of such number between such employees and consultants. The Board itself should determine all awards to the chief executive officer and the non-executive directors.

#### 8.10 **Approve design of and targets for performance-related pay schemes**

The Committee shall 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 those schemes.

#### 8.11 **Determine pension arrangements**

The Committee shall determine the policy for and scope of any pension arrangements for executive directors and executive officers, with the exception of the chief executive officer. The Committee shall recommend the pension arrangements for the chief executive officer to the Board for its determination.

#### 8.12 **Approve contractual appointment terms and ensure contractual termination terms and payments are fair to Company and the individual**

The Committee shall (i) make recommendations to the Board on the contractual terms for the appointment of the directors and senior executives and consider and approve any changes to such contractual terms and (ii) 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.

#### 8.13 **Authority to appoint compensation consultants**

The Committee shall obtain reliable, up-to-date information about compensation in other companies of comparable scale and complexity. To help it fulfil its obligations, the Committee shall have full authority to appoint compensation consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company and shall have the authority to approve any such compensation consultant's fees and other retention terms. The Committee shall have the authority to retain any other independent counsel, experts or advisors (accounting, financial, legal or otherwise) that the Committee believes to be necessary or appropriate to carry out its duties. The Committee may also use the services of the Company's regular advisors. The Company shall provide the funds to pay the fees of any consultant or other adviser so retained. The Committee shall consider the factors set forth in Rule 10C-1(b) (4)(i)-(vi) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") before the Committee selects any compensation consultant, legal adviser or other adviser. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing, overseeing and setting the terms of reference for any compensation consultants who advise the Committee.

#### 8.14 **Other duties**

The Committee shall also be responsible for (i) overseeing any major changes in employee benefits structures throughout the Company or Group; (ii) agreeing upon the policy for authorizing claims for expenses from the directors; and (iii) working and coordinating as necessary with all other Board committees.

### 9. **REPORTING RESPONSIBILITIES**

#### 9.1 **Reporting to the Board**

The Committee chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

#### 9.2 The Committee shall:

- (a) make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- (b) ensure that provisions regarding disclosure of information, including pensions, as required by the Companies Act 2006 and SEC rules, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure (i) each year that the remuneration report is put to shareholders for approval at the annual general meeting and (ii) the Company's remuneration policy is put to shareholders for approval at least once every three years (or earlier in the circumstances required by the Companies Act 2006). If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection to the Company; and
- (c) consider and make recommendations to the Board about the public disclosure of information about the compensation packages and structures of the executive directors and executive officers, in addition to those disclosures required by law or by SEC or Nasdaq rules or regulations.

#### 9.3 **Committee chairman to maintain contact with principal shareholders about compensation**

The Committee chairman should maintain contact as required with the Company's principal shareholders about compensation.

10. **OTHER MATTERS**

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) give due consideration to Applicable Rules and any other applicable laws, rules or regulations, as appropriate, and any published guidelines or recommendations regarding the compensation of directors and officers of Nasdaq – listed companies and the formation and operation of share plans and share option schemes that are applicable to the Company; and
- (c) 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.

11. **AUTHORITY**

The Committee is authorised by the Board to:

- (a) obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference;
- (b) instruct external professional advisers to attend any meeting if it considers this necessary or appropriate;
- (c) investigate any activity within its terms of reference; and
- (d) seek any information it requires from any employee of the Company in order to perform its duties.

Adopted by resolution of the Board of Directors of VivoPower International PLC at a meeting held on December 21, 2016.

**Committee membership at date of adoption:**

*Chairman*

Kevin Chin

*Other members*

Gary Hui

Edward Hyams