

MOTIF BIO PLC

TERMS OF REFERENCE FOR THE NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

In this document, the “**Board**” shall mean the Board of Directors of the Company; the “**Committee**” shall mean the Nomination and Corporate Governance Committee of the Board; the “**Company**” shall mean Motif Bio plc and the “**Group**” shall mean the Company and its subsidiaries.

1. CONSTITUTION

The Committee was constituted at a full meeting of the Board of Directors held on 27 March 2015 in accordance with the articles of association of the Company.

2. DUTIES AND TERMS OF REFERENCE

The Committee should carry out the duties below for the Company and the Group.

2.1 The Committee shall:

- 2.1.1 regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- 2.1.2 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 what skills and expertise are therefore needed on the Board in the future to address these;
- 2.1.3 be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- 2.1.4 before appointment is made by the Board, evaluate the balance of skills, knowledge and experience 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 have the opportunity:

- 2.1.4.1 at the Company's expense, to use open advertising or the services of external advisers to facilitate the search as the committee may deem necessary;
 - 2.1.4.2 to consider candidates from a wide range of backgrounds; and
 - 2.1.4.3 to consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- 2.1.5 prior to the appointment of a Director, obtain details of and review any interests the candidate may have which conflict or may conflict with the interests of the Company. The Committee shall consider whether, despite any such conflict, there are nevertheless grounds for recommending the candidate for appointment and for the Board to authorise the relevant conflict. The Committee shall as part of any proposal to the Board for appointment of the relevant candidate explain these grounds and make recommendations as to the terms and conditions on which any authorisation of the conflict should be given by the Board;
- 2.1.6 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;
- 2.1.7 keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- 2.1.8 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- 2.1.9 ensure that on appointment to the Board, non-executive 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;
- 2.1.10 review the results of the Board performance evaluation process that relate to the composition of the Board;

- 2.1.11 for the appointment of Chairman, the Committee should prepare a job specification, including the time and commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes to the Chairman's commitments should be reported to the Board as they arise; and
 - 2.1.12 work and liaise as necessary with all other Board committees.
- 2.2 The Committee shall also make recommendations to the Board concerning:
- 2.2.1 formulating plans for succession for both executive and non-executive Directors and in particular for the key roles of Chairman and the Chief Executive;
 - 2.2.2 suitable candidates for the role of senior independent director, if deemed necessary by the Board;
 - 2.2.3 membership of the Audit and Remuneration Committees, in consultation with the Chairmen of those committees;
 - 2.2.4 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required;
 - 2.2.5 the re-election by shareholders of any Director under the 'retirement by rotation' provisions in the Company's by-laws 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 the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years);
 - 2.2.6 any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an executive Director as an employee of the Company subject to the provisions of the law and their service contract; and
 - 2.2.7 the appointment of any Director to executive or other office.

- 2.3 The Committee shall also:
- 2.3.1 be responsible for establishing, monitoring and reviewing the Company's procedures and controls for ensuring:
 - 2.3.1.1 compliance with the AIM Rules for Companies (the "**AIM Rules**");
and
 - 2.3.1.2 the timely and accurate disclosure of all information that is required to be disclosed in order to satisfy the Company's legal and regulatory obligations;
 - 2.3.2 review and consider the compliance checklist, set out in the Annex to these terms of reference, with all due care and attention;
 - 2.3.3 monitor developments concerning the Company's business or financial position and assess whether any such development is price sensitive and whether it gives rise to a disclosure obligation;
 - 2.3.4 assess whether any acquisition, disposal or other transaction proposed to be undertaken by the Company gives rise to a disclosure obligation;
 - 2.3.5 assess whether any other matters or occurrences concerning the Company give rise to a disclosure obligation;
 - 2.3.6 maintain a record of the Company's disclosures and the matters considered for disclosure but not disclosed;
 - 2.3.7 review the Company's annual and half-yearly reports, periodic trading updates and all other announcements and material disseminated to shareholders and the market;
 - 2.3.8 monitor the need for and prepare leak announcements, holding announcements and announcements in response to rumour and speculation concerning the Company;
 - 2.3.9 assess market rumours or speculation concerning the Company and make recommendations as to what response, if any, should be made;
 - 2.3.10 assess whether any information contained in previous disclosures by the Company needs to be updated in any respect by way of a further

announcement and make recommendations as to any necessary corrective action; and

2.3.11 monitor the reporting of disclosures following publication and make recommendations as to any necessary corrective action in the event of mis-reporting.

2.4 In carrying out the duties set out in paragraph 2.3, the Committee shall:

2.4.1 liaise on a regular basis with the Company's nominated adviser and seek advice from the nominated adviser regarding the Company's compliance with the AIM Rules whenever appropriate and take that advice into account; and

2.4.2 give due consideration to all applicable laws and regulations, including the provisions and recommendations of the QCA Corporate Governance Guidelines for AIM Companies and the UK Corporate Governance Code and the requirements of the Disclosure and Transparency Rules which apply to the Company.

2.5 The Committee shall also consider such other matters as may be requested by the Board.

3. **MEMBERSHIP**

3.1 The Committee shall have at least two members. The majority of the members of the Committee shall be independent non-executive directors. The Board will determine each member's independence in accordance with the Board's Criteria for Independence.

3.2 The members of the Committee shall be appointed by the Board. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods provided the Director still meets the criteria for membership of the Committee.

3.3 The Chairman of the Board may be a member of the Committee (and may be the Chairman of the Committee).

3.4 The Chairman of the Committee shall be an independent non-executive director who shall be appointed by the Board of Directors. 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.

3.5 Only members of the Committee have the right to attend Committee meetings. However, other Directors and/or advisors may be invited to attend all or part of a meeting as and when appropriate and necessary.

3.6 At the date of formation of the Committee, it has been agreed that the members of the Committee will be Mary Lake Polan and the Committee shall be chaired by John Stakes III.

3.7 The Board may from time to time remove members from the Committee.

3.8 Members of the Committee shall be named in the Annual Report and Accounts of the Committee.

4. **SECRETARY**

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

5. **QUORUM**

5.1 A quorum for the transaction of business by the Committee shall be any two independent non-executive director members of the Committee. 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. The members of the Committee can be varied at any time by a majority resolution of the existing members of the Committee save that any additional appointment must still be an independent and non-executive director.

5.2 Any member of the Committee may validly participate in a meeting of the Committee through the medium of conference telephone or electronic mail or similar form of communication equipment provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting or are able to receive communications from each of the other Committee members participating in the meeting.

6. **VOTING ARRANGEMENTS**

6.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.

6.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

7. **FREQUENCY OF MEETINGS**

7.1 The Committee will meet at least two times a year. The Committee may meet at other times during the year as agreed between the members of the Committee or as requested by the Chairman of the Committee.

8. **ATTENDANCE AT MEETINGS**

8.1 Other directors and external advisers may be invited to attend all or part of any meeting as and when appropriate.

9. **NOTICE OF MEETINGS**

9.1 Meetings of the Committee shall be summoned by the Company Secretary at the request of any of its members.

9.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member of the Committee and 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 each member of the Committee and to other attendees as appropriate at the same time.

10. **AUTHORITY**

10.1 The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, professional advice on any matter within its terms of reference.

10.2 The Committee is authorised to seek any information it requires from any employee or Director, and all such employees or Directors will be directed to co-operate with any request made by the Committee.

10.3 The Committee is authorised to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary.

11. **REPORTING RESPONSIBILITIES**

11.1 Draft minutes of each meeting will be circulated to all members of the Committee. On finalisation and signature by the Chairman, the minutes of each meeting will be submitted to the Board as a formal record of the decisions of the Committee on behalf of the Board.

11.2 The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities provided that the Chairman will not be required to discuss details of any sensitive issues which were discussed by the committee which the members of the nomination committee consider it would be inappropriate to share with the board as a whole.

11.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.4 The Committee shall produce a report to shareholders on its activities to be included in the Company's Annual Report and ensure each year that it is put to shareholders for approval at the AGM.

11.5 The Committee shall ensure that any reporting complies with the requirement of the AIM Rules and to any laws and regulations as may be applicable.

12. **MINUTES OF MEETINGS**

12.1 The secretary of the Committee shall minute the proceedings and resolutions of Committee meetings and record the names of those present and in attendance.

12.2 The secretary of the Committee shall ascertain, at the start of each Committee meeting, the existence of any conflicts of interest and minute them accordingly.

12.3 Following each meeting of the Committee, the secretary shall circulate, for comment, draft minutes to each member who was present at the meeting. Once approved, the secretary shall circulate the finalised minutes of the meetings of the Committee to the members of the Board as part of the board papers for each full meeting of the Board, unless there are any details of sensitive issues included in the minutes which the members of the nomination and corporate governance committee consider it would be inappropriate to share with the board as a whole.

13. **OTHER**

13.1 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.

13.2 The Committee is authorised by the Board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

13.3 The Committee shall, at least once a year, review its own performance, 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.

14. **ANNUAL GENERAL MEETING**

14.1 The Chairman of the Company shall attend the annual general meeting of the Company to answer any shareholder's questions concerning the Committee's activities.

Annex

Compliance Checklist

<i>The Company</i>	
Are there any significant developments in relation to the Company's business including its contracts and customers? If yes, please provide a full update.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Update:	
Are there any significant developments in the Company's sector(s) and market(s)? If yes, please provide a full update.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Update:	
Do you feel that it is an appropriate time for the Company's nominated adviser to undertake a visit to the Company's offices of operation and meet with the directors and key managers? Are there any new key managers the Company's nominated adviser should meet? If yes, please provide full details.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	
Is there any unpublished price sensitive information in existence of which the Company's nominated adviser is not aware? If yes, please provide full details.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	
<i>Directors and board</i>	
Do you consider that the composition of the board of directors as a whole continues to reflect the Company's needs, for example given its type, size and profile? If no, please provide reasons.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Reasons:	
Do you consider that each of the directors continues to have the relevant experience in relation to their role and is suitable to be a director of a company	Yes <input type="checkbox"/> No <input type="checkbox"/>

admitted to trading on AIM? If no, please provide reasons.	
Reasons:	
Are any changes to the board of directors proposed? If yes, please provide details. (Please also provide details as to the suitability of such individual(s) as potential board directors).	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	
Do you consider the Company's corporate governance measures continue to be appropriate? If no, please provide reasons.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Reasons:	
<i>AIM Rule compliance</i>	
Do you consider the Company's procedures to facilitate compliance with the AIM Rules for Companies are sufficient? If no, please provide details.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	
Do the directors and the Company understand their continuing responsibilities and obligations under the AIM Rules for Companies? If no, please provide details.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	
Has the Company released any notifications to the London Stock Exchange plc without the prior consent of the Company's nominated adviser? If yes, please provide details.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	
<i>Transactions</i>	
Has the Company or any of its subsidiaries any plans, or has it entered into any negotiations regarding any transaction which, if completed, would be within the provisions of Rules 12 to 15 (inclusive) of the AIM Rules for Companies?	Yes <input type="checkbox"/> No <input type="checkbox"/>

Details:	
Have there been any, or are there in contemplation, any transactions in the Company's share or other securities which are required to be disclosed under the AIM Rules?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	
Has the Company received any notifications of interests in its voting shares or of any change therein as required under the provisions of the Company's Articles of Association?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	
Has the Company received any offer or approach which will or might lead to the control of the Company passing to any person who does not now control it or a merger with another company, corporation or other organisation?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Details:	