

Bacanora Lithium Plc

Terms of reference of the Remuneration Committee

1 Purpose

The Remuneration Committee assumes general responsibility for assisting the Board in respect of remuneration policies and strategies for the Company and ensuring they are designed to support strategy and promote long-term sustainable success. It ensures that the Company offers competitive remuneration that is aligned to company purpose and values, and clearly linked to the successful delivery of the Group's long-term strategy, whilst remaining financially responsible. It also ensures formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration.

2 Scope

The Committee shall be responsible for overseeing for the Company, major subsidiaries and the Group as a whole, the following matters:

- Remuneration policies, including long- and short-term incentives;
- Review of Executive Management performance and recommendations for incentive awards;
- Annual Reporting of the Company's remuneration activities;
- Administration of Incentive plans;
- Company policies regarding pension and other benefits; and
- The engagement and independence of external remuneration advisers

3 Pay Philosophy

The Company has adopted an ongoing pay philosophy that governs its actions in relation to remuneration.

"Our remuneration philosophy has as its primary objective the realization of our corporate strategic vision over the long term through the incentivization and retention of management. Additional objectives are the attaining of shorter-term financial and operational targets, engagement with the firm's stakeholders, and wider ESG considerations. The Board strongly believes in a "One Team" culture, striving for high growth and a high-performance environment with pay aligned to sustainable long-term performance. The Board recognises the specialised nature of the lithium industry and thus has positioned remuneration levels and goals to be competitive against its relevant markets. The pay structure is performance related and based on stretching targets, with an appropriate balance between rewards for delivery of short-term and long-term performance targets. A significant holding of the Company shares is encouraged as part of our aim to align incentives while retaining key talent."

4 Roles and Responsibilities

The Executive Management shall comprise the Company's Chief Executive Officer ("CEO"), the Chief Financial Officer, any executive director (such as Executive Chairman), the Company Secretary, and such other members of the executive management as it is designated by the Board to consider.

The Committee shall:

Remuneration policies, including long- and short-term incentives (the "incentive schemes");

- For the Executive Management team
 - determine and agree with the Board the framework or broad policy for their remuneration
 - in determining such policies, consider all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the long-term success of the Company
 - when setting the remuneration policy for directors (in particular in respect of annual salary increases), review and have regard to the remuneration trends across the Company or group;
 - recommend and monitor the level and structure of remuneration for each of them;
- For the Non-Executive Directors

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Non-Executive Directors. To reflect the inherent conflict of interest, the committee should seek advice from an independent external source and take soundings from significant shareholders on that matter.
- Company Chairman shall recommend the quantum of any remuneration to the Board for its approval
- No individual shall be involved in any decisions as to their own remuneration;
- review the ongoing appropriateness and relevance of the remuneration policies
- review the design of all 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 Management, and the performance targets to be used
- approve the design of, and determine targets for the incentive schemes and approve the total annual payments made under such schemes;
- review, and make a recommendation to the Board with respect to, any share ownership guidelines applicable to Executive Management and directors and review their shareholdings based on such guidelines established from time to time.

Review of Executive Management performance and recommendations for incentive awards;

- within the terms of the agreed policy and in consultation with the Chairman and/or CEO, as appropriate, annually reviewing and recommending the total individual remuneration package of the Executive Management, including bonuses and awards under the incentive schemes;
- review and approve corporate goals and objectives relevant to Executive Management's remuneration, evaluate their performance in light of those corporate goals and objectives, and determine their remuneration level based on this evaluation.

The engagement and independence of external remuneration advisers

- obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;
- be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

Annual Reporting of the Company's remuneration activities;

- review, and make a recommendation to the Board with respect to, any disclosure related to executive remuneration included in any public disclosure document;
- compile an annual report of the Company's remuneration policy and practices to be included in the Company's annual report;
- consider each year as to when it shall commence putting the remuneration report to shareholders for approval at the AGM.
- 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 with the Company.

Administration of Incentive plans;

- oversee the creation and regular review of the relevant legal plans that form the incentive plans; and
- regularly review such incentive plans to ensure compliance with best governance practices.

Company policies regarding pension and other benefits; and

- determine the policy for, and scope of, pension arrangements for the Executive Management;
- 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;
- oversee any major changes in employee benefits structures throughout the Company or group; and
- agree the policy for authorising claims for expenses from the directors.

5 Membership

The Committee shall comprise of at least three members where possible, all of whom shall qualify as "independent" as approved by the Board taking into account discussions with the Nomad and guidance provided by the Quoted Company Alliance ("QCA"). The Chairman may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.

Members of the Committee shall be appointed annually at a meeting of the Board, typically held after the annual shareholders' meeting, on the recommendation of and in consultation with the Committee Chairman. Any member may be removed or replaced at any time by the Board and shall in any event cease to be a member of the Committee upon ceasing to be a member of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the Head of Human Resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.

The Board shall appoint the Committee Chairman who shall be an independent director. The Chairman shall have responsibility for overseeing that the Committee fulfills its mandate and its duties effectively. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

6 Secretary

The Company Secretary or their nominee 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 all issues.

7 Quorum and majority

The quorum necessary for the transaction of business shall be any two (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. Members may participate in a meeting of the Committee by means of conference telephone or other communication equipment.

Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.

8 Meetings

The Committee shall meet at least twice a year and otherwise as required at the discretion of the Committee Chairman or a majority of the members. The Chair of the Committee shall prepare and/or approve an agenda in advance of each meeting;

Notwithstanding the quorum requirements for the Committee, all members of the Committee should endeavour to attend all meetings of the Committee at which matters of general remuneration policy or the contents of the Committee's annual report to shareholders are discussed.

The Committee should hold an in-camera session (meaning a closed session in which sensitive matters are discussed) without any senior officers present at each meeting.

9 Notice of Meetings

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.

Unless otherwise agreed by consent of all members in writing, 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 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.

10 Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board, unless it would be inappropriate to do so.

11 Reporting Responsibilities

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee Chairman shall also report to the Board on how it has discharged its responsibilities, as set out herein.

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

Through the Chairman, the Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.

12 Other

The Committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 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;
- at all times give due consideration to the provisions and recommendations by the QCA, the requirements of the AIM Rules for Companies, the UK Listing Authority's Prospectus and Disclosure and Transparency Rules and any other Applicable Laws, as well as guidance published by the Investment Association and also guidance provided by ISS and Glass Lewis, as appropriate;
- 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; and
- work and liaise as necessary with all other Board committees.

13 Authority

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.

14 Review

The Committee with input by the Chair of the Board will review these terms of reference at least every two years or, where circumstances warrant, at such shorter interval as is necessary, to determine if further additions, deletions or amendments are required and make a recommendation to the Board as to their approval.

15 History

These Terms of Reference were:

- Initially adopted by the Board on 18 February 2018;
- Updated by Board on 24 July 2019;
- Updated by Board on 30 June 2020;