



## **Cipher Neutron Inc.**

### **MANDATE OF THE COMPENSATION AND NOMINATING COMMITTEE**

#### **Purpose**

1. The Compensation and Nominating Committee (the "**Committee**") is appointed by the Board of Directors (the "**Board**") of Cipher Neutron Inc. (the "**Corporation**") to assist the Corporation in identifying and recommending new nominees for election to the Board and to assist the Board in setting director and senior officer compensation and to develop and submit to the Board recommendations with respect to other employee benefits considered advisable. The Committee will be guided by the following principles:
  - (a) to offer competitive compensation to attract, retain and motivate qualified executives in order for the Corporation to achieve the strategic plan and budgets approved by the Board; and
  - (b) act in the interests of the Corporation by being financially responsible.

#### **Composition**

2. The Committee shall be composed of three or more directors as designated by the Board from time to time.
3. The Chair of the Committee shall be designated by the Board or the Committee from among the members.
4. The Committee shall meet all applicable securities laws, instruments, rules and mandatory policies and regulatory requirements (collectively "**Applicable Laws**") including relating to independence within the meaning of Applicable Laws. Each member shall be independent within the meaning of Applicable Laws.
5. Each member of the Committee shall be appointed by, and serve at the pleasure of, the Board. The Board may fill vacancies in the Committee by appointment from among the Board.

## **Meetings**

6. The Committee shall meet at least twice in each financial year of the Corporation and otherwise at the discretion of the Chair or a majority of the members or as may be required by Applicable Laws.
7. A majority of the members of the Committee shall constitute a quorum.
8. The Committee should hold an *in camera* session without any senior officers present at each meeting.
9. The time and place at which meetings of the Committee are to be held, and the procedures at such meetings, will be determined from time to time by the Chair. A meeting of the Committee may be called by notice, which may be given by written notice, telephone, facsimile, email or other communication equipment, given at least 48 hours prior to the time of the meeting, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent waive notice or otherwise signify their consent to the holding of such meeting.
10. Members may participate in a meeting of the Committee by means of conference telephone or other communication equipment.
11. The Committee shall keep minutes of its meetings, excluding, when the Committee deems it expedient to do so, minutes of *in camera* sessions, which shall be available for review by the Board.
12. The Committee may appoint any individual, who need not be a member, to act as the secretary at any meeting.
13. The Committee may invite such directors, senior officers and other employees of the Corporation and such other advisors and persons as is considered advisable to attend at any meeting of the Committee.
14. 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 votes cast at a meeting of the Committee called for such purpose.
15. The Committee shall report its definitive determinations and recommendations to the Board.

## **Resources and Authority**

16. The Committee has the authority to:
  - (a) engage, at the expense of the Corporation, independent counsel and other experts or advisors as is considered advisable, including compensation consultants to assist in determining appropriate compensation policies and levels, provided that any services to be provided by any such compensation consultants must be pre-approved by the Committee and, any services to be provided by any such compensation consultants at the request of the senior officers, must be pre-approved by the Chair;

- (b) determine and pay the compensation for any independent counsel and other experts and advisors, including compensation consultants, retained by the Committee;
- (c) conduct any investigation it determines is appropriate; and
- (d) request any senior officer or other employee, or outside counsel for the Corporation, to attend any meeting of the Committee or to meet with any members of, or independent counsel or other experts or advisors to, the Committee.<sup>3</sup>

## **Responsibilities**

### ***(a) Remuneration of Senior Officers***

17. The Committee is responsible for:

- (a) reviewing and making recommendations to the Board with respect to the compensation policies and practices of the Corporation;
- (b) annually reviewing and recommending to the Board for approval the remuneration of the senior officers of the Corporation, namely, the Chief Executive Officer (the "**CEO**"), the Corporate Secretary (the "**CS**"), and the Chief Financial Officer (the "**CFO**"), any Vice-President and any other employee or officers of the Corporation having a comparable position as may be specified by the Board (collectively the "**Senior Executives**"), with such review being carried out in consultation with the CEO, other than the remuneration of the CEO;
- (c) reviewing the goals and objectives of the CEO for the next financial year of the Corporation and providing an appraisal of the performance of the CEO following the completion of each financial year;
- (d) meeting with the CEO on at least an annual basis to discuss goals and objectives for the other Senior Executives, their compensation and performance;
- (e) reviewing and making a recommendation to the Board on the hiring or termination of any Senior Executive or on any special employment contract containing, or including, any retiring allowance or any agreement to take effect, or to provide for the payment of benefits, in the event of a termination or change of control of the Corporation affecting, a Senior Executive or any amendment to any such contract or agreement;
- (f) making, on an annual basis, a recommendation to the Board as to any incentive award to be made to the Senior Executives under any incentive plan or under any employment contract of a Senior Executive;
- (g) on an annual basis, comparing the total remuneration (including benefits) and the main components thereof of the Senior Executives with the remuneration of peers in the same industry; and
- (h) annually identifying any risks associated with the compensation policies and practices of the Corporation that are reasonably likely to have a material adverse effect on the Corporation, considering the implications of any such risks and, to the extent deemed necessary by the Committee, establishing practices to identify and mitigate compensation policies and practices that could encourage Senior Executives to take inappropriate or excessive risks.

***(b) Remuneration of Directors***

18. On an annual basis, the Committee should review and make a recommendation to the Board with respect to the remuneration of directors.

***(c) Share Ownership Guidelines***

19. The Committee should review, and make a recommendation to the Board with respect to, any share ownership guidelines applicable to the Senior Executives and the directors and review the shareholdings of the Senior Executives and directors based on such guidelines established from time to time.

***(d) Equity Based Compensation Plans***

20. The Committee is responsible for:

- (a) ensuring that any required regulatory approval and shareholder approval is obtained for any equity based compensation plan of the Corporation;
- (b) overseeing the equity based compensation plans of the Corporation; and
- (c) determining those directors, Senior Executives, other employees and consultants of the Corporation who are entitled to participate in the equity based incentive plans of the Corporation, the number of options, common shares or other equity based securities of the Corporation allocated to each participant under each such plan, if any, the time or times when the ownership of such common shares or other equity based securities will vest for each participant and administer all matters relating to any equity based incentive plan of the Corporation and any employee bonus plan of the Corporation to which the Committee has been delegated authority pursuant to the terms of such plan or by a resolution passed by the Board.

***(e) Public Disclosure***

21. The Committee should review, and make a recommendation to the Board with respect to, any disclosure related to executive compensation included in any management information circular of the Corporation for any meeting of the shareholders of the Corporation and review and approve the report on executive compensation required by Applicable Laws to be included in any management information circular of the Corporation.

***(f) Nominations***

22. The Committee should:

- (a) consider from time to time the desirable number of directors of the Corporation;
- (b) identify and recommend to the Corporation and the Board from time to time proposed nominees to be directors of the Corporation, based upon the following considerations
  - (i) the competencies and skills necessary for the Board as a whole to possess,
  - (ii) the competencies and skills necessary for each individual director to possess,

- (iii) the competencies and skills which each new nominee to the Board is expected to bring, and
- (iv) whether each proposed nominee to the Board will be able to devote sufficient time and resources to the Corporation; and<sup>5</sup>.
- (c) consider a skills matrix for the Board which should include the competencies and skills which each individual director possesses.

***(g) Other Responsibilities***

- 23. The Committee should review and assess the adequacy of this mandate from time to time and at least annually and submit any proposed amendments to the Board for consideration.
- 24. The Committee should perform any other activities consistent with this mandate and Applicable Laws as the Committee or the Board deems advisable.

**Chair**

- 25. The Chair of the Committee should:
  - (a) provide leadership to the Committee and oversee the functioning of the Committee;
  - (b) chair meetings of the Committee, unless not present, including *in camera* sessions, and report to the Board following each meeting of the Committee on the activities, and any material recommendations and decisions, of the Committee and otherwise at such times and in such manner as the Chair considers advisable;
  - (c) ensure that the Committee meets at least twice per financial year of the Corporation and otherwise as is considered advisable;
  - (d) in consultation with the Chairman of the Board and the members, establish dates for holding meetings of the Committee;
  - (e) ensure that Committee materials are available to any director upon request;
  - (f) act as liaison and maintain communication with the Chairman of the Board, the Lead Director, if any, and the Board;
  - (g) report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;
  - (h) together with the Corporate Governance Committee, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;
  - (i) attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Corporation to respond to any questions from shareholders which may be asked of the Committee; and
  - (j) perform such other duties as may be delegated to the Chair by the Committee or the Board from time to time.

Approved by the Board of Directors of Cipher Neutron Inc.

May 24, 2023

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