

## THE REMUNERATION COMMITTEE

### TERMS OF REFERENCE

(ADOPTED 26 MARCH 2020)

#### 1. CONSTITUTION

- 1.1 The remuneration committee (**Committee**) is constituted as a committee of the board of directors (**board**) of PayPoint plc (**Company**) in accordance with the articles of association of the Company.
- 1.2 The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

#### 2. ROLE

- 2.1 The role of the Committee is to assist the board to fulfil its responsibility to shareholders to ensure that:
- (a) remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and
  - (b) executive remuneration is aligned to Company purpose and values and linked to delivery of the company's long-term strategy.
- 2.2 Subject to Paragraph 2.3, in particular, the Committee shall consider:
- (a) remuneration policies, including base pay, long-term and short-term incentives, post-employment shareholding requirements and use of the Committee's discretion;
  - (b) remuneration practice and its cost to the Company;
  - (c) recruitment, service contracts and severance policies;
  - (d) pension provision and other benefits;
  - (e) the engagement and independence of external remuneration advisers; and
  - (f) a review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.

- 2.3 The remuneration of the senior independent director and non-executive directors of the board shall be a matter for the chair and the executive directors to be decided at a meeting of the board within the limits set in the Company's articles of association. No director shall be involved in any decisions as to their own remuneration.

#### 3. DUTIES AND TERMS OF REFERENCE

The Committee shall carry out the following duties for the Company and its subsidiaries (**Group**) and advise the board appropriately:

##### 3.1 Remuneration policy and practices

- (a) determine and agree the remuneration policy, including pension rights and compensation payments, for:
  - (i) the chair of the Company;

- (ii) executive directors;
  - (iii) the company secretary; and
  - (iv) the executive board;
- (b) subject to Paragraph 3.5(b), in determining the remuneration policy, consider:
  - (i) all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (**Code**) and associated guidance;
  - (ii) the need to promote the long-term sustainable success of the Company and the alignment to the Company purpose and values, without paying more than is necessary, having regard to the views of shareholders and other stakeholders, and ensuring that executive directors, the company secretary and the executive board are rewarded in a fair and responsible manner, provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
  - (iii) the strategy of the Group and how the policy reflects and supports the long-term strategy;
  - (iv) the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long-term strategic goals; and
  - (v) any shareholding requirements, including vesting and holding periods, and any post-employment shareholding requirements for executive directors, the company secretary and executive board that encompass both unvested and vested shares;
- (c) when determining executive director remuneration policy and practices, address the following factors set out in Provision 40 of the Code:
  - (i) clarity;
  - (ii) simplicity;
  - (iii) risk;
  - (iv) predictability;
  - (v) proportionality; and
  - (vi) alignment to culture;
- (d) when determining remuneration schemes and the remuneration policy, consider the use of discretion by the Committee to override formulaic outcomes;
- (e) review at least annually the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders, as appropriate, on the policy or any other aspects of remuneration;
- (f) within the terms of the agreed remuneration policy, determine the total remuneration package for the chair of the board and each element of the total individual remuneration package for each executive director, the company secretary and executive board member (to the extent applicable):
  - (i) base salary;
  - (ii) profit sharing and specific incentive remuneration schemes or arrangements;
  - (iii) participation in share schemes;

- (iv) pension arrangements, including the level of contributions by the Company; and
  - (v) other bonuses and benefits in cash or in kind.
- (g) ensure, where relevant, that any payments made in respect of any remuneration package for the chair of the Company and executive directors are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval;
  - (h) exercise any discretion or judgment on remuneration outcomes in accordance with any incentive schemes and the remuneration policy, taking account of company and individual performance, and wider circumstances; and
  - (i) agree the policy for authorising claims for expenses from the directors.

### **3.2 Share based remuneration and bonus arrangements**

- (a) recommend for approval by the board the design of, and determine the targets for, the operation of all long-term incentive schemes, including all schemes involving the award of shares or the grant of options, in which executive directors, the company secretary and the executive board participate. For any such schemes or plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes or plans by those individuals;
- (b) monitor and assess any performance conditions applicable to any long-term incentive awards granted under any schemes or plans adopted by the Company. Ensure that the performance conditions are fully explained, aligned to the Company purpose and values, and clearly linked to the successful delivery of the Company's long-term strategy and enhancement of shareholder value;
- (c) consider whether the executive directors, the company secretary and the executive board should be eligible for annual bonuses. Bonuses shall be used to reward a contribution to the business which exceeds the level expected;
- (d) recommend for approval by the board the design of, and determine annual targets and key performance indicators for, any bonus scheme operated by the Company and assess performance against targets and key performance indicators, by the Company, individual executive directors, the company secretary and the executive board;
- (e) exercise independent judgement and discretion when authorising outcomes under all incentive arrangements, taking account of company and individual performance, and wider circumstances;
- (f) design and invoke agreed safeguards, for example, clawback or withholding the payment of any sum or share award, to protect against rewards for failure through appropriate risk management of any incentive arrangements to ensure that any performance-related payments reflect actual achievements; and
- (g) ensure that all incentive arrangements are aligned to the Company's risk policies and systems, its purpose and values, support the strategy and promote long-term sustainable success.

### **3.3 Pensions**

Review the pension arrangements for the executive directors, the company secretary and the executive board, and consider:

- (a) the alignment of pension contribution rates, or payments in lieu, for executive directors with those available to the workforce; and
- (b) the pension consequences and associated costs to the Company of basic salary increases and any

other changes in pensionable remuneration or contribution rates, particularly for executive directors/company secretaries/executive board members close to retirement, when compared with workforce arrangements.

### 3.4 Service contracts and severance

For executive directors, the company secretary and executive board members:

- (a) approve the terms of the service contracts, the duration of which shall not exceed one year's notice period, and any material amendments to those contracts;
- (b) determine the policy for, and scope of, termination payments and compensation commitments and ensure that poor performance is not rewarded and that there is a clear policy to link non-contractual payments to performance; and
- (c) ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company and, where relevant, are in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

### 3.5 Workforce remuneration and related policies

- (a) review workforce remuneration and related policies and the alignment of incentives and rewards with culture;
- (b) when setting the policy for executive director remuneration, take into account the matters in Paragraph 3.5(a); and
- (c) oversee any major changes in remuneration and employee benefits structures throughout the Group.

### 3.6 Remuneration consultants

- (a) to help it to fulfil its obligations and enable it to judge where to position the Company relative to other companies, have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, at the expense of the Company but within any budgetary restraints imposed by the board; and
- (b) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

### 3.7 Shareholder approval

- (a) produce a report to shareholders annually on matters relating to remuneration that shall include the information required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), the Code, the Listing Rules (as published by the Financial Conduct Authority) (**Listing Rules**) and any other relevant statutory, regulatory or governance codes and incorporate:
  - (i) an annual statement by the Committee's chair and annual report on directors' remuneration (together, **annual remuneration report**); and
  - (ii) the directors' remuneration policy when it must be submitted for approval in accordance with Paragraph 3.7(b) (**directors' remuneration policy**) and, in any other case, either the directors' remuneration policy, a summary of such policy or details of when the directors' remuneration policy was approved and where it can be found on the Company's website;
- (b) submit the directors' remuneration policy for approval by the board and shareholders:
  - (i) every three years;

- (ii) in any year in which there is a change to the policy;
  - (iii) if shareholder approval was not obtained when last submitted; and
  - (iv) if majority shareholder approval was not achieved on the last submitted annual remuneration report; and
- (c) submit the annual remuneration report for approval on an advisory basis by the board and shareholders at the annual general meeting each year.

### **3.8 Other matters**

- (a) keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;
- (b) subject to delegation of authority by the board, determine whether the disclosure of any information on performance conditions and performance targets would be commercially sensitive;
- (c) consider such other matters as are referred to the Committee by the board; and
- (d) work and liaise as necessary with all other board committees.

## **4. MEMBERSHIP**

- 4.1 The Committee shall comprise a minimum of three members. Each Committee member shall be an independent non-executive director as determined by the board (in accordance with the Code). If any member of the Committee is deemed not to be independent, then the board shall provide an explanation as to why they consider it appropriate for such director to be a member of the Committee.
- 4.2 The board shall appoint members of the Committee, on the recommendation of the nomination committee, in consultation with the Committee chair.
- 4.3 The chair of the board may be a member of, but not chair, the Committee if he or she was considered to be independent on appointment as chair.
- 4.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three year periods, so long as members continue to be independent.
- 4.5 The board shall appoint the Committee chair from among the independent non-executive directors and determine the period for which the Committee chair will hold office, and before such appointment, the appointee should where possible have served on a remuneration committee for at least 12 months. In the absence of the Committee chair or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.
- 4.6 The Committee chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 4.7 The company secretary, or his or her nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

## **5. ATTENDANCE AT MEETINGS**

- 5.1 The Committee shall meet at least twice a year and otherwise as required.
- 5.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chief executive, 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 and with the agreement of the

Committee chair. The Committee chair shall have the discretion to decide who, other than Committee members, shall attend and address Committee meetings.

- 5.3 No person including directors or the chair of the board of the Company shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 5.4 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.5 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.

## **6. NOTICE OF MEETINGS**

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair or any member of the Committee.
- 6.2 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 and any other person required to attend, no later than five calendar 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, but Committee papers may be forwarded at shorter notice with the approval of the Committee chair.

## **7. QUORUM**

- 7.1 The quorum necessary for the transaction of business at a Committee meeting shall be two members. If there is difficulty in achieving a quorum, independent non-executive directors, who are not members of the Committee, may be co-opted as members for individual meetings.
- 7.2 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.

## **8. MINUTES OF MEETINGS**

- 8.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other board members unless in the opinion of the Committee chair it would be inappropriate to do so.
- 8.3 A resolution in writing and signed or approved by letter or a form of electronic communication by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

## **9. ANNUAL GENERAL MEETING**

The Committee chair shall where possible attend the annual general meeting to answer shareholder questions on the Committee's activities and make a statement, if required, on the Committee's activities and achievements over the year (including details on engagement with shareholders on significant matters).

## **10. REPORTING RESPONSIBILITIES**

- 10.1 The Committee chair shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities and the minutes of all Committee meetings shall be made available on request.
- 10.2 The Committee shall:

- (a) report to the board on workforce reward, incentives and conditions, and support the board's monitoring of the alignment of company policies and practices with culture and strategy;
- (b) make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed;
- (c) ensure that provisions regarding the disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Code (although noting that Code compliance is based on comply or explain principles), are fulfilled;
- (d) prepare a formal report for shareholders to be incorporated in the Company's annual report that shall include the matters referred to in Paragraph 3.7(a) and ensure that it is submitted for approval in accordance with Paragraph 3.7(b) above;
- (e) if the Committee has appointed remuneration consultants, identify in the annual report, the name of the consultants and state whether they have any connection with the Company or individual directors;
- (f) ensure, through the chair of the board, that the Company maintains contact, and the Committee chair seeks engagement, as required, with the Company's major shareholders on significant matters related to the Committee's areas of responsibility;
- (g) prepare and adopt a report on the Committee's work and activities for inclusion in the Company's annual report setting out:
  - (i) the number of meetings of the Committee and individual attendance by the members; and
  - (ii) the matters listed in Provision 41 of the Code and other information recommended by the Code; and
- (h) make publicly available the Committee's terms of reference by placing them on the Company's website.

## **11. GENERAL MATTERS**

The Committee shall:

- 11.1** Have access to sufficient resources to carry out its duties, including access to the company secretary and management for assistance as required.
- 11.2** Be provided with an induction programme for new members. Any ongoing committee or individual training requirement is to be discussed and agreed with the company secretary.
- 11.3** Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the Companies Act 2006, the principles and provisions of the Code, the requirements of the Listing Rules, the Financial Conduct Authority's Prospectus Rules and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association, the Pensions and Lifetime Savings Association, the GC100 and Investor Group and any other applicable rules, as appropriate.
- 11.4** Work and liaise as necessary with all other board committees, including the nomination committee in respect of any remuneration package to be offered to any new appointee of the board.
- 11.5** 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.

## **12. AUTHORITY**

The board authorises the Committee to:

- 12.1** Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary.
- 12.2** Seek any information it requires from any employee of the Group to perform its duties.
- 12.3** Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.
- 12.4** Call any employee of the Group to be questioned at a Committee meeting as and when required.



**THE REMUNERATION COMMITTEE**

**CURRENT MEMBERS**

**(updated 20 May 2020)**

Rakesh Sharma (chairman)

Gill Barr

Giles Kerr

Ben Wishart