

# Funding Circle Holdings plc

(the Company)

## REMUNERATION COMMITTEE – TERMS OF REFERENCE adopted by the Board on 18 September 2018

### 1. BACKGROUND

1.1 The board of the Company (the **Board**) has resolved to establish a remuneration committee (the **Committee**). These terms of reference replace any previous terms of reference for any remuneration committee.

### 2. THE COMMITTEE'S DUTIES

2.1 The duties of the Committee shall be:

- (a) to determine the remuneration (including pension rights and any compensation payments) of the Company's chair, the executive directors of the Company, the Company Secretary, the Global Leadership Team and any other senior employees of the Company and its subsidiaries (collectively, the **Group**) as the Board may determine from time to time (the **Executive Group**) and to ensure that a formal and transparent procedure for determining that remuneration is in place. The Board itself or, where required by the articles of association of the Company, the shareholders should determine the remuneration of the non-executive directors within the limits set in the articles of association and the Company's shareholder approved directors' remuneration policy. No director or senior manager shall be involved in any decisions as to their own remuneration;
- (b) to determine a remuneration policy for the Executive Group, taking into account all factors which it deems necessary, including, without limitation, relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and such other guidance as it considers relevant and to ensure that a formal and transparent procedure for developing that policy is in place. The objective of the remuneration policy shall be to support strategy and promote long-term sustainable success whilst having regard to the risk appetite of the Company; the remuneration of executive directors should be aligned to the Company's purpose and values and be clearly linked to the successful delivery of the Company's long term strategy;
- (c) when determining executive director policy and practices, to address:

- (i) that remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
  - (ii) that remuneration arrangements should avoid complexity and their rationale and operation should be easy to understand;
  - (iii) that remuneration arrangements should ensure that the following risks are identified and mitigated: reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans;
  - (iv) that the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
  - (v) that there should be a clear link between individual awards, the delivery of strategy and the long-term performance of the Company and outcomes should not reward poor performance; and
  - (vi) that incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy;
- (d) to consider, monitor and review the ongoing appropriateness and relevance of the remuneration policy (including its level and structure) and consult with significant shareholders and other stakeholders as appropriate;
- (e) to consider and determine all elements of the remuneration of the Executive Group and, in respect of any element of remuneration of the Executive Group which is performance-related, to formulate suitable performance-related criteria (which shall be transparent, stretching and rigorously applied), monitor their operation, and approve the total payments made under such schemes including the terms of any malus or clawback arrangement;
- (f) to review workforce remuneration and related policies and the alignment of incentives and rewards with culture and take these into account when determining the remuneration of the Executive Group;
- (g) to promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests;
- (h) to consider, determine and approve the provisions of the service agreements of the Executive Group and to ensure that any payments that may be made under such provisions are fair to the individual and the Company, do not reward poor performance, and that the duty to mitigate loss is fully recognised;
- (i) individually to exercise independent judgment and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances;
- (j) to approve any payment to, and/or any non-cash benefit to be provided to, or for the benefit of, any member of the Executive Group on termination of that person's employment and to ensure such payment or benefit is consistent with the most recent

directors' remuneration policy that has been approved by shareholders or is otherwise approved by the shareholders as required by the Rules (as defined below) and all other relevant laws and regulations;

- (k) to agree the policy for authorising claims for expenses from the directors;
- (l) subject to delegation of authority by the Board, to determine whether the disclosure of any information on performance conditions in the Company's annual remuneration report would be commercially sensitive;
- (m) to administer all aspects of any executive share scheme and/or all-employee share scheme operated by or to be established by the Company in accordance with the rules of that scheme and any applicable legal and stock exchange requirements and with any requirements of Her Majesty's Revenue and Customs (or any other local tax requirements);
- (n) to review the design of any new share incentive schemes for approval by the Board and, as required, the Company's shareholders;
- (o) to revise and approve the Company's existing Equity Administration Policy at least annually;
- (p) to have regard in the performance of its duties to any published guidelines or recommendations regarding the remuneration and terms and conditions of directors of listed companies and the formation and operation of share schemes (in particular the principles and provisions of the UK Corporate Governance Code, the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and the Market Abuse Regulation and guidelines published by institutional investors) which the Committee considers relevant or appropriate;
- (q) to ensure that provisions regarding disclosure of information relating to directors' remuneration including, where required by law, the directors' remuneration policy and its implementation, as set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Companies Act 2006, the Financial Conduct Authority's Listing Rules, the UK Corporate Governance Code and all other relevant laws, regulations and guidance (each as amended from time to time) (the **Rules**), are fulfilled and to produce report(s) on the directors' remuneration;
- (r) to ensure that the policy and report(s) referred to in paragraph 2.1(q) above are put to the shareholders for approval as required by the Rules and all other relevant laws and regulations;
- (s) to be aware of and advise the Board on any major changes in employee benefit structures throughout the Company or Group;
- (t) to report formally to the Board on the Committee's proceedings and on how it has discharged its duties and responsibilities (unless it would be inappropriate to do so) and to make whatever recommendations to the Board as it deems appropriate on any areas within its remit where action or improvement is needed;

- (u) to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants or other advisors who advise the Committee and to commission or purchase any reports, surveys or other information which it deems necessary;
- (v) to work and liaise as necessary with all other board committees; and
- (w) to consider any other matters as may be requested by the Board.

2.2 In relation to the above, the Committee shall at all times give due regard to published or other available information relating to pay, bonuses and other benefits of executives in companies which are comparable to the Company and to remuneration trends across the Company more generally.

### **3. COMPOSITION AND QUORUM**

3.1 The Committee shall be made up of at least three members appointed by the Board on the recommendation of the nomination committee and in consultation with the chair of the Committee from time to time. The Committee shall consist of independent non-executive directors as determined by the Board. Unless otherwise agreed by the Board, any member who is determined by the Board to no longer be independent shall cease to be a member of the Committee. The chair of the Board may be a member of, but not chair, the Committee provided he/she was considered independent on appointment.

3.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting.

3.3 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional three-year periods, provided the director remains independent.

3.4 The Board shall appoint one member of the Committee to act as its chair who shall be an independent non-executive director. The chair of the Committee shall not be the chair of the Board and should have served on a remuneration committee for at least 12 months before appointment as chair. In the absence of the chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3.5 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Remuneration 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 Remuneration Committee.

### **4. MEETING ADMINISTRATION**

4.1 The Committee shall meet at least twice a year and otherwise as determined by the chair of the Committee. The Committee may hold meetings by telephone or using any other method of electronic communication, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the chair of the Committee.

4.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or by the Board.

4.3 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date and dial-in details (if required) together with an agenda of the items to be discussed, 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 five working days before the date of the meeting or such other reasonable time considered adequate by the chair of the Committee.

4.4 Only Remuneration Committee members are entitled to vote on matters proposed at meetings.

4.5 Any conflicts of interest of members of the Committee are to be declared at the start of each meeting in relation to the matters to be discussed and recorded accordingly in the minutes.

## **5. ANNUAL GENERAL MEETING**

5.1 The chair of the Committee shall attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

## **6. SECRETARY**

6.1 The Company Secretary or such person as the Company Secretary nominates acts as the secretary of the Committee, who shall minute the proceedings of all meetings of the Committee and ensure they are shared promptly following the meeting with all members of the Committee (unless in the opinion of the chair of the Committee it would be inappropriate to do so).

## **7. SELF-EVALUATION**

7.1 The Committee must review its own performance, composition and terms of reference at least once a year and recommend to the Board any changes it considers necessary or desirable.

## **8. REPORTING RESPONSIBILITIES**

8.1 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval at the Annual General Meeting.

## **9. OTHER MATTERS**

9.1 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, (including access to the Company Secretariat);
- (b) be given appropriate and timely training, in the form of an induction programme for new members and on an ongoing basis for all members;

- (c) oversee any investigation of activities which are within its terms of reference; and
- (d) work and liaise as necessary with all other Board committees.

9.2 The Committee chair should seek engagement with shareholders on significant matters related to his or her areas of responsibility.

## **10. AUTHORITY**

10.1 The Board authorises the Committee to:

- (a) undertake any activity within its terms of reference;
- (b) seek any information from any Group employee, contractor, consultant or other provider of services to the Company (including legal and tax advisers) to enable it to perform its duties;
- (c) obtain external legal or other professional advice on any matter within its terms of reference at the Company's expense, and to invite persons giving such advice to attend Committee meetings;
- (d) call any Group employee, contractor, consultant or other provider of services to be questioned at a Committee meeting, as and when required;
- (e) publish in the Company's annual report details of any issues that have not been resolved between the Committee and the Board; and
- (f) delegate any of its powers to one or more of its members, the secretary, a sub-committee or such other body as it deems appropriate.