

Capita plc - Remuneration Committee Terms of Reference

These Remuneration Committee Terms of Reference are approved as at 27 February 2020

Objectives

The Remuneration Committee is a Committee of the Capita plc Board and has been established by the Board under the Articles of Association.

The purpose of the Remuneration Committee is to assist the Directors under authority delegated to it by the Board to:

- Comply with their duty under section 172 of the Companies Act 2006, the Listing Rules and the recommendations of The UK Corporate Governance Code 2018;
- Set the remuneration policy for all executive directors and ensure that all payments are consistent with the policy;
- Set remuneration for the Chair of the Board, executive directors and senior management¹;
- Review workforce remuneration and related policies and the alignment of incentives with culture;
- Review the design of all share incentive plans for approval by the Board and (where applicable) shareholders;
- Set the formal policy on shareholdings and post-employment shareholdings.

Role of the Committee

1 Duties

- 1.1 The Remuneration Committee should carry out the duties detailed below for the Company, major subsidiary undertakings and the group as a whole, unless required otherwise by regulation, as appropriate. In carrying out these duties, the members of the Remuneration Committee must comply with their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, whilst having regard to the interests of employees, stakeholders and other matters as required by section 172.

¹ The executive committee or the first layer of management below board level, including the company secretary

1.2 The Remuneration Committee shall:

- (a) have responsibility for setting the remuneration policy for all executive directors. The Board itself, or where required by the Company's constitution, the shareholders, should determine the remuneration of the non-executive directors within the limits set by the Company's constitution which should not include share options or other performance-related elements;
- (b) in determining the remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should be designed to support the strategy and promote long-term sustainable success. Executive directors' remuneration should be aligned to the Company purpose, values and culture and be clearly linked to the successful delivery of the Company's long-term strategy;
- (c) when determining executive director remuneration policy and practices: ensure clarity and simplicity of remuneration arrangements; identify and mitigate potential behavioural, reputational and other risks arising from target based incentive plans or excessive rewards; ensure predictability in the value of such remuneration; ensure proportionality of individual awards with delivery of the strategy and long-term Company performance; and ensure schemes drive behaviours aligned to the Company's values and culture;
- (d) review workforce remuneration and related policies and the alignment of incentives and rewards with the Company's values and culture and take these into account when setting the remuneration policy for executive directors.
- (e) ensure that all remuneration payments made to any executive director are consistent with the remuneration policy approved by the Company's shareholders or otherwise agreed in advance by the Company's shareholders;
- (f) review the ongoing appropriateness and relevance of the remuneration policy, in particular in respect of the approach to recruitment, the policy on payments for loss of office and the exercise of discretion;
- (g) within the terms of the agreed remuneration policy, and in consultation with the chair of the Board and/or the chief executive (as appropriate), determine the total individual remuneration package of each executive director, the chair of the Board and senior management including salary, bonuses, incentive payments and share options or other share awards. No director or senior manager shall be involved in any decisions as to his or her own remuneration;
- (h) review the design of all share incentive plans for approval by the Board and (where applicable) shareholders. Such share incentive plans should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted to executive directors should be released for sale on a phased basis and be subject to a total vesting and holding period of 5 years or more. For any such plans, the Remuneration Committee should determine each year whether awards will be made, and if so, the overall amount of such awards and the performance targets to be used;

- (i) ensure that all variable remuneration schemes and policies enable the Remuneration Committee to override formulaic outcomes and include provisions to allow the Company to recover and/or withhold sums or share awards, setting out the specified circumstances in which it would be appropriate to do so. The Remuneration Committee shall exercise independent judgement when authorising remuneration outcomes, taking account of Company and individual performance and the wider circumstances and, as part of the annual process to determine remuneration outcomes, take an active decision on whether or not to exercise discretion;
- (j) determine the policy for, and scope of, pension arrangements for each executive director and senior management ensuring that the pension contribution rates for executive directors (including payments in lieu) are aligned with those available to the workforce. The basic salary increases or any other changes to pensionable remuneration or contractual rules should be carefully considered when compared with workforce arrangements;
- (k) develop a formal policy for shareholding, both during and post-employment, for executive directors, encompassing both unvested and vested shares;
- (l) ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that poor performance is not rewarded and that the duty to mitigate loss is fully recognised and robustly enforced. Ensure that all loss of office payments made to any director are consistent with the remuneration policy approved by the Company's shareholders or that the payments are otherwise agreed in advance by the Company's shareholders. Notice periods for executive directors should be one year or less unless it is necessary to offer a longer period to recruit a new director, in which case the notice period should reduce to one year or less after the initial period;
- (m) oversee any major changes in employee benefits structures throughout the Company or group;
- (n) agree the policy for authorising claims for expenses from the directors;
- (o) be exclusively responsible for establishing the selection criteria and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee. Independent judgement should be exercised by the Remuneration Committee when evaluating the advice of remuneration consultants and other third parties and when receiving views from executive directors and senior management;
- (p) obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity;
- (q) work and liaise as necessary with all other Board committees; and
- (r) ensure that the responsibility for implementing Group remuneration policy has been delegated to each regulated subsidiary firms or remuneration committees as applicable.

2. Authority

- 2.1 The Remuneration Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 2.2 The Remuneration 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.
- 2.3 The Remuneration Committee is authorised by the Board to appoint remuneration consultants and to commission or purchase any information, reports or surveys which it deems necessary to help it fulfil its obligations at the expense of the Company, but within any budgetary restraints imposed by the Board.

3. Membership

- 3.1 Members of the Remuneration Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the chair of the Remuneration Committee. The Remuneration Committee shall comprise at least 3 members, all of whom shall be "independent" non-executive directors for the purpose of the UK Corporate Governance Code. The chair of the Board may also serve on the Remuneration Committee as an additional member if he or she was considered independent at the time of his or her appointment as chair.
- 3.2 Only members of the Remuneration Committee have the right to attend Remuneration Committee meetings. However, other directors and other individuals (including representatives of external advisers) may be invited to attend for all or part of any meeting, as and when appropriate in the opinion of the chair of the Remuneration Committee or the majority of its members.
- 3.3 Appointments to the Remuneration Committee shall be for a period of up to 3 years (subject to the election and re-election provisions in the Company's constitution and in the UK Corporate Governance Code), which may be extended for two further periods of up to 3 years each, provided the director concerned (other than the chair of the Board, if he or she is a member of the Remuneration Committee) remains "independent" for the purposes of the UK Corporate Governance Code.

4. Chair and Quorum

- 4.1 The Board shall appoint the Remuneration Committee chair who shall be an independent non-executive director and who shall (unless the Board exceptionally determine otherwise) have served on a remuneration committee for at least 12 months. In the absence of the Remuneration Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves who is an independent director to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The chair of the Board shall not be chair of the Remuneration Committee.
- 4.2 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.

5. Secretary

5.1 The Company Secretary or his or her nominee shall act as the secretary of the Committee. In conjunction with the Chairman, the Company Secretary, will prepare an Agenda for each meeting which shall be circulated, with any supporting papers, in a timely manner.

5.2 The Secretary shall maintain appropriate minutes and actions.

5.3 The Secretary will circulate the minutes of meetings of the Committee to all members of the Board, except where a conflict exists.

6. Agenda and Meetings

6.1 The Committee shall meet at least twice a year.

6.2 Meetings of the Remuneration Committee shall be called by the Secretary at the request of its chair.

6.3 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 Remuneration Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting.

6.4 The Secretary shall ensure that each member of the Remuneration Committee (and other attendee as appropriate) receives information and papers in a timely manner to enable proper consideration to be given to issues. Such information and papers can be sent in electronic form if the recipient has agreed to that method of communication.

7. Annual General Meeting

7.1 The chair of the Remuneration Committee should attend the annual general meeting to answer any shareholder questions on the Remuneration Committee's activities.

8. Committee support and other considerations

8.1. The Remuneration Committee shall:

- a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- c) give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of a listed company and the formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association and other shareholder advisory bodies and relevant institutional shareholders and any other applicable rules, as appropriate;
- d) 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.

9. Reporting Requirements

- 9.1 The chair of the Remuneration Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Remuneration Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where it considers that action or improvement is needed.
- 9.3 The Remuneration Committee shall ensure that the 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 and the UK Corporate Governance Code, are fulfilled and produce a report on the Company's remuneration policy and practices to be included in the Company's annual report and ensure that it is put to shareholders for approval at the annual general meeting. If remuneration consultants have been used, the Remuneration Committee shall, in addition to the disclosures required in respect of external advisers by the Regulations, identify them in its report and state whether they have any other connection with the Company or individual directors.
- 9.4 The Remuneration Committee shall ensure that the Company engages with shareholders on remuneration policy and outcomes as it considers necessary.

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