

Capita plc - Remuneration Committee Terms of Reference

These Remuneration Committee Terms of Reference are approved as at 26 November 2020.

Objectives

The Remuneration Committee (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 Committee is to:

- Comply with applicable duties under section 172 of the Companies Act 2006, the FCA's 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 management;
- 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 Committee should carry out the duties detailed below for the Company, major subsidiary undertakings and the Capita plc Group (Group), as a whole, unless required otherwise by regulation, as appropriate. In carrying out these duties, the members of the 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.

1.2 The Committee shall:

- (a) have responsibility for setting the remuneration policy for all executive directors. The Board, or, where required by the Company's constitution, the shareholders, should determine the remuneration of non-executive directors within limits set by the Company's constitution and 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 strategy and promote long-term sustainable success. Executive directors' remuneration 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 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 culture and take these into account when setting the remuneration policy for executive directors. The description of the work of the Committee in the annual report should set out what engagement has taken place with the workforce to explain how executive remuneration aligns with wider Company pay policies;
- (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 policy (for Board Directors) 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 management¹ including salary, bonuses, incentive payments and share options or other share awards. The choice of financial and non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards taking account of Company and individual performance and wider circumstances. 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 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;

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

- (i) ensure that all variable remuneration schemes and policies enable the 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 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 and post-employment shareholding requirement 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 and 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 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 ensuring intersection between Committees and with the Board is reviewed regularly; and
- (r) ensure that the responsibility for implementing Group remuneration policy in respect of Group entities, including regulated firms, has been delegated to their respective Boards or Remuneration Committees, as applicable.

2 Authority

- 2.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company or within the Group in order to perform its duties;
- 2.2 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;
- 2.3 The 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.

Membership

- 3.1 Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee. The Committee shall comprise at least three members, all three 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. An employee director may also serve as an additional member of the Remuneration Committee despite their lack of independence as an employee within the Group.
- 3.2 Only members of the Committee have the right to attend 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 Committee or the majority of its members.
- 3.3 Appointments to the 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 and any employee director, if appointed to the Committee) remains "independent" for the purposes of the UK Corporate Governance Code.

Chair and Quorum

- 4.1 The Board shall appoint the Committee Chair who shall be an independent non-executive director who should have served on a remuneration committee for at least 12 months. In the absence of the 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 independent non-executive directors. 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.

Secretary

- 5.1 The Company Secretary or his or her nominee shall act as the Secretary of the Committee and, in conjunction with the Chair of the Committee will prepare an agenda for each meeting which shall be circulated, with any supporting papers, in a timely manner.
- 5.2 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance, and shall maintain a schedule of matters arising.
- 5.3 The Secretary of the Committee will circulate the minutes of meetings of the Committee to all members of the Board, except where a conflict exists.

Agenda and Meetings

- 6.1 The Committee shall meet at least twice a year and otherwise as required.
- 6.2 Meetings of the Committee shall be called by the Secretary of the Committee at the request of its Chair or any of its members.
- 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 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 Committee (and other attendees 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.

Shareholder engagement

- 7.1 The Chair of the Committee should attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

Committee support and other considerations

- 8.1 The 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 ongoing 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 FCA's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules Sourcebook 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.

Reporting Requirements

- 9.1 The Chair of the Committee shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The 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 Committee shall provide a description of its work in the annual report in line with the requirements of the UK Corporate Governance Code.
- 9.4 The 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 Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 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 the Committee has engaged remuneration consultants, they should be identified in the annual report alongside a statement about any other connection they have with the Company or individual directors.

November 2020