

Funding Circle Holdings plc

(the Company)

REMUNERATION COMMITTEE - TERMS OF REFERENCE

adopted by the Board of Directors on 27 January 2022

1. Background

- 1.1 The board of directors 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 of the Board.
- 1.2 In this document 'Group' means the Company and its major subsidiary undertakings from time to time.

2. The Committee's duties

The Committee performs the following duties for the Company, its major subsidiary undertakings and the Group as a whole, as appropriate:

- 2.1 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 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.
- 2.2 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 (the **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.
- 2.3 When determining executive director policy and practices, to address:

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- (a) that remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
 - (b) that remuneration arrangements should avoid complexity and their rationale and operation should be easy to understand;
 - (c) 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;
 - (d) 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;
 - (e) 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
 - (f) that incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy.
- 2.4 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.
- 2.5 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.
- 2.6 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.
- 2.7 To promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests and develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
- 2.8 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 or the relevant member of the Group (as appropriate), do not reward poor performance, and that the duty to mitigate loss is fully recognised.
- 2.9 Individually to exercise independent judgment and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances.
- 2.10 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, in the case of Executive Directors, 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.

- 2.11 To review and approve the policy for authorising claims for expenses from the directors.
- 2.12 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.
- 2.13 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) including (without limitation) monitoring the grant of awards against applicable dilution limits.
- 2.14 To review the design of any new share incentive schemes for approval by the Board and, as required, the Company's shareholders.
- 2.15 To revise and approve the Company's existing Equity Administration Policy at least annually.
- 2.16 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 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.
- 2.17 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, Prospectus and Disclosure Guidance and Transparency Rules, the 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.
- 2.18 To ensure that the policy and report(s) referred to in paragraph 2.17 above are put to the shareholders for approval as required by the Rules.
- 2.19 To be aware of and advise the Board on any major changes in employee benefit structures throughout the Company or Group.
- 2.20 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.
- 2.21 To work and liaise as necessary with all other board committees.
- 2.22 To consider any other matters as may be requested by the Board.

- 2.23 In relation to all the above duties, 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

- 3.1 The Committee must have at least three members. Members of the Committee are appointed by the Board on the recommendation of the nomination committee in consultation with the chair of the Committee.
- 3.2 All members of the Committee must be independent non-executive directors, except as otherwise approved by the nomination committee. The chair of the Board may be a member of, but not chair, the Committee provided that he/she was considered independent on appointment. If the Board decides that a member of the Committee who was independent on appointment to the Committee is no longer independent, the Board may determine that that member will cease to be a member of the Committee.
- 3.3 Only members of the Committee have the right to attend Committee meetings, but the Committee may invite others to attend all or part of any meeting if it thinks it is appropriate or necessary. The Chief Executive Officer (the **CEO**), Chief People Officer (the **CPO**), Chief Financial Officer and external advisors may be invited to attend meetings of the Committee on a regular basis.
- 3.4 Appointments to the Committee are for a period of up to three years, extendable for two further three-year periods, provided the director still meets the criteria for membership of the Committee.
- 3.5 The Board appoints the chair of the Committee who, for the avoidance of doubt, must 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 Committee chair and/or an appointed deputy, the remaining members present may elect one of their number to chair the meeting.

4. Quorum

- 4.1 The quorum necessary for the transaction of business is two members.
- 4.2 A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Meeting administration

- 5.1 The Committee must meet as often as it deems necessary but in any case at least three times a year, at such times and places determined by the Committee chair. The Committee must approve the annual calendar of its meetings. Additional meetings may be called by any of the Committee members. The Committee may hold meetings in person or by any method of electronic communication, and may take decisions without a meeting by unanimous written consent (including by email), when deemed necessary or desirable by the Committee chair.

- 5.2 Meetings of the Committee are called by the secretary of the Committee at the request of any of its members.
- 5.3 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date (and dial-in details if required) of the meeting must be sent, with an agenda of the items to be discussed and any supporting papers, to each member of the Committee, any other person required to attend the meeting and all other non-executive directors, as soon as practicable, and in any event no later than five working days before the date of the meeting.
- 5.4 Outside of the formal meeting programme, the Committee chair must maintain a dialogue with key individuals involved in the remuneration of the Executive Group or any other matter for which the Committee is responsible under these terms of reference, including the Board chair, the CEO and the CPO.

6. Secretary

- 6.1 The Company Secretary or such person as the Company Secretary nominates, shall act as the secretary of the Committee.
- 6.2 The secretary must ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 6.3 The secretary must minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.4 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.
- 6.5 Draft minutes of Committee meetings must be sent promptly to all members of the Committee. Once approved, minutes must be made available to all members of the Board, unless the chair of the Committee thinks it is inappropriate to do so.

7. Self-evaluation

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 chair must report 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). Such reporting will occur from time to time or whenever so requested by the Board, but twice annually at Board meetings at a minimum.
- 8.2 The Committee's report must include:
 - (a) any significant issues that it considered in relation to remuneration and how these were addressed; and

- (b) any other issue on which the Board has asked for the Committee's opinion, identifying any matters in respect of which it considers that improvement is needed, whether the subject of a specific request by the Board or not, and make recommendations as to the steps to be taken.
- 8.3 The Committee may make such recommendations to the Board as it deems appropriate on any area within its remit or improvement is desirable or necessary.
- 8.4 The Committee chair must attend the Company's annual general meeting and respond to any shareholder questions in relation to the Committee's report to shareholders under paragraph 8.5 below and matters within its area of responsibility, as directed by the chair of the annual general meeting.
- 8.5 The Committee must compile a report to shareholders to be included in the Company's annual report on the Company's remuneration policy and practices and ensure that it is put to shareholders for approval at the annual general meeting as necessary. The report must, as a minimum:
 - (a) summarise the role and work of the Committee in line with the requirements of the Code;
 - (b) explain how the Committee composition requirements have been met, identifying the names and qualifications of its members;
 - (c) state the number of Committee meetings that have been held in the relevant period;
 - (d) explain how the Committee's performance evaluation has been conducted;
 - (e) identify any external remuneration consultant used by the Company, and state whether it has any connection with the Company or individual directors;
 - (f) make any statement of compliance required by law or regulations ensuring that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 are fulfilled.

9. Other matters

- 9.1 The Committee must:
 - (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretarial team for assistance as required on all Committee matters;
 - (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 the Committee's 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 or contractor that it requires 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 or contractor 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 Committee chair, the secretary, the CEO or the Group's Equity Awards Committee.