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**MORSES CLUB PLC**  
**(“MCL” or “the Company”)**  
**REMUNERATION and CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**  
**(“RemCo” or “the Committee”)**  
**TERMS OF REFERENCE**

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## **1. Constitution**

This Committee is established under the authority of the Board of Morses Club PLC (MCL) to (a) assist and advise the Board in exercising its responsibilities for all aspects of remuneration practice and policy relating to executive management and senior management levels and (b) assist the Board in discharging its duties to promote the success of the Company in the context its obligations under section 172(1)(a-f) of the Companies Act 2006

## **2. Membership**

The members of RemCo and the Chair of the Committee will be appointed by the Board and will comprise a minimum of two independent Non-Executive Directors. The Committee will always have a majority of independent Non-Executive Directors as members.

The Board will be responsible for determining the length of time of these appointments.

At the discretion of the Chair, any other invitees, including advisers, may attend all or part of any Committee meeting.

## **3. Quorum**

A quorum shall consist of any two independent members, with the Chairman of the Board being deemed to be independent for this purpose.

## **4. Chair and Secretary**

The Chair of Remco will be the appointee of the Board and in her/his absence, the Chair's nominee from amongst the other members of Remco will chair the meeting, unless otherwise determined by the Board.

The nomination of a secretary will be the responsibility of the Chair.

## **5. Frequency of Meetings**

Remco will meet at least twice per year and at other times at the request of the Chair.

## **6. Responsibilities and duties**

Remco considers matters relating to the overall reward framework, including policy for all members of executive management and their individual remuneration rewards. It is responsible for all aspects of remuneration practice and policy and ensuring that these are fully compliant with statutory, regulatory, and good market practice and designed to encourage behaviour conducive to the interests of MCL, its shareholders and customers.

The Board is aware of and supports the Financial Conduct Authority's code of remuneration practice and its general requirement that remuneration policies must be consistent with effective risk management.

It, therefore, requires the Remuneration Committee to:

- a) exercise, and be constituted in a way that enables it to exercise independent judgement;
- b) be able to demonstrate that its decisions are consistent with a reasonable assessment of MCL's financial situation and future prospects;
- c) have the skills and experience to reach an independent judgement on the suitability of the policy, including its implications for risk and risk management; and
- d) be responsible for approving and periodically reviewing the remuneration policy and its adequacy and effectiveness.

The Committee has the right to appoint an independent adviser and for the adviser to be present at any meeting.

The Committee will work closely with the Board, executive management, the Director of HR, Marketing and Communications and any professional advisers that the Committee determine are necessary to assist with the discharge of its responsibilities. Its duties will include the following:

- i. Ensure the responsibilities and processes of the Committee reflect and are conducted in accord with the latest principles of the code of conduct for remuneration committee practices as promulgated by the Financial Conduct Authority.
- ii. Ensure that in setting remuneration policies, the Committee takes due account all factors it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code, the AIM Rules, the FCA Listing, Prospectus, Disclosure and Transparency Rules and all other applicable guidelines
- iii. Decide and report to the Board on the framework for remuneration. RemCo will set remuneration for the Company's Chairman and Chief Executive ("CEO"). It will consider and, if appropriate, approve the remuneration of executive management on recommendation of the CEO and will monitor and review the performance and remuneration of other senior management and directly oversee the remuneration of the Risk and Compliance functions in order to ensure they are provided with appropriate incentives to encourage enhanced performance and represent a fair reward for their individual contributions to the success of the business.
- iv. Other senior management comprises all other higher paid staff, (e.g. functional heads and senior operational management) as defined by RemCo.
- v. In determining such framework, take into account pay and conditions elsewhere in the market to ensure remuneration packages are competitive, but not excessive, wherever it operates and at a level that will enable MCL to attract, retain and motivate executive directors and executive and senior management of the necessary calibre.

- vi. Ensure that all remuneration policies and practices are reviewed regularly for appropriateness and relevance.
- vii. Within the terms of the agreed framework, and in consultation with and taking recommendations from the Chief Executive, Chair of the Board, Chairs of other Board Committees and any external advisers, determine the total remuneration package, including salary, pension, bonuses and benefits under any short or long term cash or equity incentive arrangements operated by MCL for the Chief Executive, Chief Financial Officer, each executive manager and such other senior managers of MCL as identified by the Committee or the Board.
- viii. Determine, with the necessary input from Risk Management and Compliance, the potential level of payments and performance measures for performance related pay schemes and other cash based incentive arrangements operated by MCL ensuring adequate measures to handle potential conflicts of interest.
- ix. Review and recommend the design of all new share or other incentive plans for approval by the Board and shareholders and ensure Committee involvement in and determination of quantum of annual vesting entitlements against the approved measures for performance criteria.
- x. Determine the policy and scope for the pension arrangements, contracts, service agreements, termination payments, compensation commitments and any other proposed contractual obligations for the Chair, Chief Executive, Chief Financial Officer and all executive managers, including any exercise of such arrangements.
- xi. Approve any amendments to the service contracts of the Chair, Chief Executive, Chief Financial Officer and executive managers.
- xii. Approve the policy for authorising claims for expenses from the Chair, Chief Executive, Chief Financial Officer and executive managers.
- xiii. Oversee any major changes in employment benefit structures throughout MCL and annually note the remuneration trends across MCL in comparison with reliable up to date information in other companies in the financial sector.
- xiv. Obtain any information from any employee or adviser of MCL it deems necessary to perform its duties.
- xv. Ensure that the disclosure of remuneration is in line with all relevant listing rules and other regulatory requirements.
- xvi. Establish the selection criteria and make the appointment of any advisers to the Committee including their terms of reference and remuneration.
- xvii. Report to the Board on its proceedings after every meeting on all matters within its powers and responsibilities.
- xviii. Review and recommend the annual report for approval by the Board, of MCL's remuneration policy and practices to form part of the Annual Report of the Company.
- xix. Review its own performance and terms of reference annually to ensure it is operating effectively and recommend any changes necessary to improve performance for Board approval.

- xx. Consider and make recommendations on any other remuneration issues as requested by the Board.

In the exercise of such responsibilities, Remco has agreed a timetable of Reports from the Chief Executive, Finance Director and HR and Communications Director (for those employees for which Remco are responsible – see above) in accordance with the following:

- xxi. An annual schedule of all salary changes approved by the CEO together with recommendations for those to be approved by Remco
- xxii. Similarly, an annual schedule of all incentive award allocations approved by the CEO together with recommendations for those to be approved by Remco
- xxiii. An annual schedule of policy changes and exceptions from policy for both the Remuneration Policy Statement (RPS) and the Human Resources Policy
- xxiv. Annual review and preparation of the draft Annual Report remuneration sections for consideration by Remco
- xxv. An annual review of the appropriateness of the remuneration policy by the HR and Communications Director.

Such other reports as the Committee deems necessary from time to time prepared by its independent advisers to assist it in establishing appropriate policies, remuneration schemes and in determining the appropriate level of rewards bearing in mind regulatory constraints, market practice, MCL's and the individual's performance, and the risks taken to generate performance.

## **6B CSR**

The Committee will in addition be responsible for overseeing the Company's approach to all aspects of Corporate Social Responsibility ('CSR') including its ethics and business conduct; its approach to health and safety; its contribution to the communities in which the Company operates and its employees and agents live and work, and its approach to managing its relationships with customers, suppliers and other parties. For the avoidance of doubt, review of the Company's structure of governance shall be a matter reserved to the Board and its risk management framework shall be reserved to the Audit and Risk Committee.

The duties of Remco in relation to CSR are as follows:

### **1 Strategy and policy**

- (a) Remco shall assist the Board in providing independent oversight and guidance as to the impact of the Company's corporate responsibility related strategy, policies and practices on how the Company conducts its business and on its reputation
- (b) Approve the strategies, policies, processes and standards related to the Company's corporate responsibility activities and assist in the periodic review of them
- (c) Oversee the effectiveness of management's implementation of the Corporate Responsibility-related strategy, policies, processes and standards providing challenge where necessary

- (d) Monitor performance against agreed KPIs and targets, including the review of the relevant elements of employee engagement surveys having provided input into the question set to achieve an effective assessment of the ethical tone in the Company
- (e) Review the effectiveness of communications in connection with the corporate responsibility strategy and performance externally and internally with a particular focus on training in corporate responsibility issues;

## 2 Ethics and business conduct

- (a) In respect of the Company's corporate responsibility related strategy, policies, and practices, agreeing the ethical tone and culture, the structure and mechanics of ethical leadership and support, and measuring conformity with that tone
- (b) Regularly review and approve the Company's Code of Conduct to ensure that its standards of business behaviour are up-to-date and reflect best practice

## **7. Reporting**

Minutes of the proceedings and decisions of the Committee will be agreed and circulated promptly to members and to other recipients identified by the Chair of Remco. Relevant matters may also be circulated to members of the Board providing there are no conflicts of interest.

Action points will be assigned to named individuals for resolution and will be reviewed and updated on a regular basis.

Approval of the minutes will be given at the commencement of the subsequent meeting of Remco

## **8. Escalation**

Matters that are deemed to be outside the authorised responsibilities of Remco will be submitted to the Board for consideration.

This Version 1.2 was updated by the Board on 24 April 2018.

Date of next review February 2019.