

DF Capital Group

DF Capital Group (includes Distribution Finance Capital Holdings PLC and its operating subsidiaries DF Capital Bank Limited, DF Capital Financial Solutions Limited and DF Capital Retail Finance Limited)

Remuneration & Nomination Committee

Terms of Reference

Version Control

Version	Change History	Revised by	Date
1.0	Annual review: other minor clarifying and formatting amends, addition of control sheet.	M Khan	
	Further clarification and cross reference to Dear RemCo Chair letter for any gaps – none identified.	C Michael/G Morris	26/11/2023
1.0	Remco approval		31/01/2023
1.0	Board approval		01/02/2023
2.0	Update – addition of consumer duty principles	KDS	01/07/2023
2.0	Board approval		09/08/2023
3.0	Board approval	KDS/OB	23/07/2024
4.0	Board approval	KDS	21/11/2024

Document Owner:	Company Secretary
Accountable SMF Manager:	Chair of RemCo
Review Frequency:	Annual
Internal Stakeholders / Policy Reviewers:	CRO, BRC
External Review (if applicable):	n/a
Approval Committee:	Board (via Remco)

**REMUNERATION & NOMINATION COMMITTEE/RemCo (the
“Committee”)**

TERMS OF REFERENCE

as adopted on 21 November 2024

1. The Remuneration & Nomination Committee is a sub-committee of the Group Boards (collectively the **“Board”**)
2. The Committee shall not consider the remuneration of any non-executive director which shall be a matter for the Board or, where required by the articles of association, the shareholders who shall determine the remuneration within the limits set in the Company’s articles.

MEMBERS

3. The members of the Committee for the time being shall be:

Members	Chair	Deputy Chair
Independent Non-Exec Chair Independent Non-Exec Directors	Independent Non-Exec Chair	INED

4. The following are requirements for membership of the Committee:
 - 4.1 a minimum of 3 members (of which the majority shall be Senior Managers under the FCA/PRA regime);
 - 4.2 membership is confined to independent non-executive directors; (with the Chair able to co-opt other non-executive directors as they may require from time to time); The committee as a whole shall have competence relevant to the sector in which the Company operates;
 - 4.3 appointed by the Board of the Company (the **“Board”**), on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee; and
 - 4.4 appointed for a period of up to three years, which may be extended by no more than two further three-year periods, provided the members (other than the Chair of the Board, if they are a member of the Committee) continue to meet the criteria for membership of the committee.
5. The following persons are invited to the Committee by standing invite:

Invited Attendees
CEO CSPO Company Secretary/ACS



6. Any other persons are invited to the Committee by prior arrangement with the Chair of the Committee with input from the CEO (based on the subject of discussion and where performance is discussed).

Chair

7. The Chair of the Committee (who shall be an independent non-executive director) shall be appointed by the Board, which shall determine the period for which they shall hold office.
8. In the absence of the Chair or the Deputy Chair, the remaining members present shall elect one of themselves to chair the meeting.
9. The Chair shall be responsible for:
 - 9.1 reporting all decisions of the Committee formally to the Board;
 - 9.2 setting the agenda for meetings, chairing those meetings, and ensuring adequate time is available for discussion, and ensuring the overall effectiveness of the operation of the Committee;
 - 9.3 ensuring that the Committee addresses all of the tasks delegated to it;
 - 9.4 maintaining a dialogue with key individuals involved in the Company's governance;
 - 9.5 communicating the work of the Committee through the drafting of the annual remuneration report;
 - 9.6 answering questions on the annual remuneration report and about remuneration more generally at shareholder meetings;
 - 9.7 attending the Company's Annual General Meeting ("AGM") as necessary to respond to any shareholder questions on the Committee and its activities and responsibilities; and
 - 9.8 leading timely consultations with shareholders as directed by the Board on remuneration policy where there is a proposed significant change in the Company's remuneration policy.
10. The Committee will allow sufficient time and resources for the Chair of the Committee to deal with matters relating to the discharge of any individual responsibilities allocated to them under the Senior Managers Regime.

Secretary

11. The Company Secretary or their nominee shall act as Secretary of the Committee.
12. The Secretary of the Committee will be responsible for:
 - 12.1 working with the Chair of the Committee in setting the agenda for meetings and assisting in planning the committees work;
 - 12.2 unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend;

- 12.3** no later than 5 working days before the date of the meeting; supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time. taking minutes of Committee meetings and all resolutions made, including the names of those present and in attendance; and
- 12.4** circulating minutes to all members of the Committee and once agreed, to all members of the Board unless, in the opinion of the Chair of the Committee, it would be inappropriate to do so.

Quorum

- 13.** The quorum for decisions of the Committee shall be any 2 members.

OBJECTIVES

- 14.** The objectives of the Committee are to:

Objective 1	Develop remuneration strategies which motivate and reward employees, supporting the delivery of business objectives in the short, medium and long-term
Objective 2	Align the interests of the employees with the long-term interests of shareholders
Objective 3	Develop remuneration strategies that encourage employees to operate within the risk parameters set by the Board
Objective 4	Ensure that the Company can recruit and retain high-quality employees through remuneration arrangements which are fair and attractive, but not excessive
Objective 5	Take appropriate account of the purpose and values of the Company and the individuals within it
Objective 6	Establish and maintain the Board as a well-functioning balanced team taking into account succession planning, effectiveness, skills and capabilities and independence.

ROLES/RESPONSIBILITIES

- 15.** The Committee shall, on behalf of the Board and the shareholders of the Company:

Role/Responsibility	How this will be achieved
Determine and agree with the Board the framework or approach for the remuneration of the Company's Chief Executive, Chair, the executive directors, the Company Secretary, and such other employees (as designated in the Company's Remuneration Policy)	No director or manager shall be involved in any decisions as to their own remuneration
In determining the Company's approach to remuneration and the Remuneration Policy, take into account all factors which it deems necessary, having regard to the	The objective of such policy shall be to promote the long-term success and delivery of the firm's strategic plan by attracting, motivating and retaining high

risk appetite of the Company (as detailed in the Company's risk policy) and alignment to the Company's long-term strategic goals and interests of shareholders.	calibre employees, having regard to the interest of shareholders and other stakeholders, whilst working in line with the Remuneration Part of the PRA's rulebook and other relevant remuneration codes. A significant proportion of remuneration should be structured to link rewards to corporate and individual performance and designed to promote the long-term success and risk profile of the Company through a multi-year framework.
When setting the remuneration arrangements for directors, review and have regard to Company's Remuneration Policy, as well as pay and employment conditions across the Company, especially when determining annual salary increases	Internal salary data and external benchmarks will be provided to the committee.
Review the ongoing appropriateness and relevance of the Remuneration Policy aligning with the strategic aims of the Company.	The Remuneration Policy will be reviewed at least annually.
Determine the composition and structure of the total individual remuneration package of each executive director, other senior employees and material risk takers of the Company including bonuses, incentive payments and share options or other share awards	Within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive as appropriate, bearing in mind that each remuneration package should motivate the relevant employee and support delivery of the Company's objectives in the short, medium, and long term
In determining such remuneration packages and arrangements, give due regard to any relevant legal or regulatory requirements, the provisions and recommendations in the Remuneration Part of the PRA Rulebook, the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-size Quoted Companies (the "QCA Code"), the QCA's Remuneration Committee Guide for Smaller Quoted Companies and the AIM Rules for Companies and any other applicable rules, as appropriate	Annual review of the PRA Rulebook Ongoing review of the QCA code; ensuring compliance against the provisions in the code, in line with best practice and ensuring a simple approach to remuneration. Annual review of the 'Dear RemCo Chair' letter to ensure no gaps.
Take into account, where applicable, the obligations under Principle 12 and PRIN 2A when determining remuneration structures, incentives and performance management ensuring such structures are consistent with ensuring good outcomes for retail customers and company culture.	

Be responsible for establishing the selection criteria, selecting, appointing, and setting the terms of reference for any remuneration consultants who advise the Committee	If appointed, the consultant will be identified in the annual report, alongside a statement about any other connection it has with the company or individual directors.
Review and note annually the remuneration trends across the Company	Overall company remuneration review is completed annually as part of the Pay and Bonus review in line with the performance year, determined by the Remuneration Committee
Approve the design of, and determine the targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes	All variable incentives are reviewed and determined via Remuneration Committee approval and reviewed annually as part of the Annual Pay and Bonus review.
Review the design of and determine the performance periods, measures and targets for all share incentive plans of the Company for approval by the Board	For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives of the Company and the performance targets to be used
Determine the policy for, and scope of, pension arrangements for all employees of the Company	Any material changes to Pension arrangements are to be reviewed and determined via the Remuneration Committee.
For executive directors, senior employees and material risk takers, ensure that contractual terms on termination, and any payments made, are appropriate to the individual and the Company and align to any regulatory requirements.	Where exceptions are made to the treatment of leavers outside of the standard contractual terms, they are determined by the Remuneration Committee.
Oversee any major changes in employee benefits structures throughout the Company	Benefits review is completed annually and determined by the Remuneration Committee. Significant change or new benefit proposals are reviewed and determined by the Remuneration Committee on an adhoc basis where applicable.
Agree the policy for authorising claims for expenses from the Chief Executive and Chair	This is included in the Travel and Expenses Policy. The element of the policy relating to for authorising claims for expenses from the Chief Executive Officer and Chair will be approved by the Committee as part of the Travel and Expenses Policy update.
Ensure that all legal and regulatory requirements regarding disclosure of information, and those set out in the QCA Code and Remuneration Part of the PRA Rulebook, are fulfilled	By producing a report of the Company's remuneration policy and practices to be included, as necessary, in the Company's annual report and Pillar III disclosures as appropriate

	If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state the fees and services rendered and whether they have any other connection with the Company
Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed	
Work and liaise as necessary with all other Board committees	
Review the standard data & management information received by the committee, annually, to ensure it is adequate	Develop and utilise a standard Management Information dashboard to present such information
Role/Responsibility	How this will be achieved
Review on an annual basis the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board including maintaining a regularly reviewed skills matrix	Making recommendations to the Board with regard to any changes including appropriate assessment of the Board skills necessary to support the ongoing strategy
Have in place a documented succession plan for directors and other senior executives in the course of its work	Considering the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future
Keep under review the leadership development/ needs of the organisation, both executive and non- executive	Ensuring the continued ability of the organisation to compete effectively in the marketplace
Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates	Ongoing and regular Board meetings, escalating issues for review, where appropriate, to Nominations Committee
Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise	All Board recruitment decisions require approval from Nominations Committee
Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board	Considering this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee: 1. may use open advertising or the services of external advisers to facilitate the search; 2. shall consider candidates from a wide range of backgrounds; and 3. shall consider candidates on merit and

	against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position
For the appointment of a Chair, prepare a job specification	To include the time commitment expected
Prior to the appointment of a director, require the proposed appointee to disclose any other business interests that may result in a conflict of interest	To obtain reports regarding any future business interests that could result in a conflict of interest
Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment	Setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings
Review annually the time required from non-executive directors as well as individual performance	Annual appraisals should be used to assess whether the non-executive directors are spending enough time to fulfil their duties as well as reviewing their performance
Review the results of the Board performance evaluation that relate to the composition of the Board	This to be done annually.
Keep under regular review any authorisations granted by the Board in connection with a directors' conflict of interest	Annually and on ad hoc basis upon new appointments.
Agree with the Board the Company's policy on diversity and inclusion	Annual review of the Equality, Diversity and Inclusion Policy
Ensure that all legal and regulatory requirements regarding disclosure of information, and those set out in the QCA Code, are fulfilled	By producing any reports necessary for inclusion in the Company's annual report – including reports about the Committee's activities and the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the Company. Such report should include a statement of the Board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.
Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed	Including recommendations on: 1. formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chair and Chief Executive;

	2. suitable candidates for the role of senior independent director provided that the candidate is an existing independent non-executive director of the Company; 3. membership of the Audit and Remuneration Committees, in consultation with the Chairs of those committees; 4. the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required; 5. the re-election by shareholders of any director having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years); 6. any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract; and 7. the appointment of any director to executive or other office.
Work and liaise as necessary with all other Board committees	Ongoing basis.
Review the standard data & management information received by the committee, annually, to ensure it is adequate	Develop and utilise a standard Management Information dashboard to present such information

PROCEDURE AND FREQUENCY OF MEETINGS

- 16.** Notwithstanding the quorum requirements for the Committee, all members of the Committee should endeavour to attend all meetings of the Committee at which matters of general remuneration policy or the contents of the Committee's annual report to shareholders are discussed.
- 17.** Meetings of the Committee:
- 17.1** shall be held at least twice a year and at such other times as the Chair of the Committee requires (normally immediately before or after regular meetings of the Board);

- 17.2** may be held by telephone or video conference; and
- 17.3** may be called by the Secretary of the Committee at the request of any member of the Committee.

- 18.** The Committee shall:
 - 18.1** have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
 - 18.2** 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;
 - 18.3** give due consideration to all relevant laws and regulations, as appropriate.
 - 18.4** investigate any activity within its terms of reference and seek directly any information it requires from any employee or contractor of the Company (all such persons being directed to co-operate with any such request by the Committee);
 - 18.5** through the Chair of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration; and
 - 18.6** obtain outside legal or other independent professional advice at the cost of the Company in accordance with the Company's agreed procedure under which Directors may obtain independent advice, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary (but such persons shall not be members of the Committee).
- 19.** The Committee shall, at least once a year, review its own performance, constitution, and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.