

# TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

## NETCALL PLC

### 1. Constitution

- 1.1 The remuneration committee (**Committee**) is constituted in accordance with the articles of association (**Articles**) of Netcall plc (**Company**).
- 1.2 The Committee has the delegated authority of the board of directors (**Board**) in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Company Secretary, including, without limitation, the establishment of sub-committees which are to report to the Committee.

### 2. Role

- 2.1 The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- 2.2 Subject to Paragraph 2.3, in particular, the Committee shall consider:
- (a) remuneration policies, including base pay, long and short term incentives;
  - (b) remuneration practice and its cost to the Company;
  - (c) recruitment, service contracts and severance policies;
  - (d) pension and superannuation arrangements and other benefits; and
  - (e) the engagement and independence of external remuneration advisers.
- 2.3 The remuneration of the non-executive directors of the Board shall be a matter for the executive directors to be decided at a meeting of the Board. No director shall be involved in any decisions as to their own remuneration.

### 3. Duties and terms of reference

The Committee shall carry out the following duties for the Company and its subsidiaries (**Group**) as appropriate:

#### 3.1 Remuneration policy

The Committee shall:

- (a) determine and agree with the Board the framework or broad policy for the remuneration and benefits, including pension rights and compensation payments, of:
  - (i) the executive directors; and
  - (ii) senior management, including the Company Secretary.

- (b) in determining the remuneration policy, the object of which shall be to attract, maintain and motivate the executive management of the Company, and particularly when determining annual salary increases for executive directors, consider all factors which it deems appropriate including:
- (i) all relevant legal and regulatory requirements, the provisions and recommendations of the QCA Corporate Governance Code (2018) (**Code**) and associated and other relevant guidance
  - (ii) an appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration;
  - (iii) the need to promote the long-term success of the Company without paying more than is necessary, having regard to the views of shareholders and other stakeholders, and ensuring that executive directors and senior executives are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
  - (iv) the business strategy of the Group and how the policy reflects and supports the business strategy;
  - (v) the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long term strategic goals;
  - (vi) remuneration trends and pay and employment conditions across the Group;
  - (vii) the transparency of the performance-related elements, ensuring that they are stretching and rigorously applied;
- (c) review at least annually the on-going appropriateness and relevance of the remuneration policy;
- (d) within the terms of the agreed remuneration policy and in consultation with the chair and/or chief executive, as appropriate, determine the total remuneration package for each executive director, and senior executives including (to the extent applicable):
- (i) base salary;
  - (ii) profit sharing and specific incentive remuneration schemes or arrangements;
  - (iii) participation in share option schemes and share ownership plans;
  - (iv) pension arrangements, including the level of contributions by the Company; and
  - (v) other bonuses and benefits in cash or in kind;

The choice of financial, 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. The determination of these matters in respect of the Company chair shall be a matter for the chief executive officer and the Board as a whole.

- (e) ensure, where relevant, that any payments made in respect of any remuneration package are permitted under the latest shareholder approved remuneration policy insofar as the same is required whilst the Company is listed on AIM;
- (f) exercise any discretion or judgment on remuneration issues in accordance with the remuneration policy;

- (g) agree that the policy for authorising claims for expenses from the directors is that the Group Financial Director or Chief Financial Officer approves all bar his, and the Chief Executive Officer approves those of the Group Financial Director or Chief Financial Officer; and
- (h) maintain contact as required with its principal shareholders about remuneration.

### **3.2 Share based remuneration and bonus arrangements**

The Committee shall:

- (a) recommend for approval by the Board the design of, and determine the targets for, the operation of all long term incentive schemes, including all schemes involving the award of shares or the grant of options, in which executive directors participate. For any such schemes or plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes or plans by those individuals;
- (b) monitor and assess the performance conditions applicable to any long term incentive awards granted under schemes or plans adopted by the Company. Ensure that the performance conditions are fully explained and clearly linked to the enhancement of shareholder value. Consider whether any factors should be taken into account which would make an alternative outcome more appropriate and aligned to the interests of shareholders;
- (c) consider whether the executive directors should be eligible for annual bonuses. Bonuses shall be used to reward a contribution to the business which exceeds the level expected;
- (d) recommend for approval by the Board the design of, and determine annual targets and key performance indicators for, any bonus scheme operated by the Company and assess performance against targets and key performance indicators, by the Company and individual executive directors;
- (e) design and invoke agreed safeguards, for example, clawback or withholding the payment of any sum, to protect against rewards for failure through appropriate risk management of any incentive arrangements to ensure that any performance related payments reflect actual achievements; and
- (f) ensure that all incentive arrangements are aligned to the Company's risk policies and systems.

### **3.3 Pensions**

The Committee shall review the pension arrangements for the executive directors and in particular the pension consequences and associated costs to the Company of basic salary increases and any other changes in pension remuneration.

### **3.4 Remuneration consultants**

The Committee shall:

- (a) to help it to fulfil its obligations and to enable it to judge where to position the Company relative to other companies, have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, at the expense of the Company but within any budgetary restraints imposed by the Board; and
- (b) be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

### **3.5 Service contracts and severance**

The Committee shall:

- (a) approve the terms of the service contracts, the duration of which shall not exceed one year's notice period, for executive directors and any material amendments to those contracts;
- (b) determine the policy for, and scope of, termination payments and compensation commitments for each executive director and ensure that there is a clear policy to link non-contractual payments to performance; and
- (c) ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

### **3.6 Shareholder approval**

The Committee shall produce a report to shareholders annually on matters relating to executive remuneration that shall include the information required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), the Code, the AIM Rules and any other relevant statutory, regulatory or governance codes and incorporate:

- (a) an annual statement by the Committee's Chair and annual report on directors' remuneration insofar as the same may be required whilst the Company is traded on AIM (together, "**annual remuneration report**"); and
- (b) the directors' remuneration policy when it must be submitted for approval in accordance with Paragraph 3.6(a) ("**directors' remuneration policy**").

### **3.7 Other matters**

The Committee shall:

- (a) keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants (if any);
- (b) subject to delegation of authority by the Board, determine whether the disclosure of any information on performance conditions and performance targets would be commercially sensitive;
- (c) consider such other matters as are referred to the Committee by the Board; and
- (d) work and liaise as necessary with all other Board committees.

## **4. Membership**

- 4.1** At all times the Committee shall comprise a minimum of two members. Each Committee member shall be a non-executive director as determined by the Board (in accordance with the principles of the Code). If any member of the Committee is deemed not to be independent, then the Board shall provide an explanation as to why they consider it appropriate for such director to be a member of the Committee.
- 4.2** The Board shall appoint members of the Committee, on the recommendation of the Nomination Committee, in consultation with the Committee Chair from time to time.
- 4.3** The Chair of the Board may be a member of, but not chair, the Committee if he or she was considered to be independent on appointment, (save in circumstances where the Board composition precludes such designation), as Chair.
- 4.4** Appointments to the Committee shall be for a period of up to three years, extendable as the Board considers appropriate and in conformity with the Code and/or the AIM Rules.

- 4.5** The Board shall appoint the Chair of the Committee and shall determine the period for which the Chair of the Committee will hold office. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.
- 4.6** Notwithstanding the provisions of paragraph 4.4, the Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 4.7** The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

## **5. Attendance at meetings**

- 5.1** The Committee shall meet at least twice a year. The Committee may meet at other time during the year as required or as agreed between the members of the Committee or as requested by the Chair.
- 5.2** Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Group Finance Director, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the Committee Chair. The Committee Chair shall have the discretion to decide who, other than Committee members, shall attend and address Committee meetings.
- 5.3** No person (including directors, or the Chair or senior executives) of the Company shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 5.4** The Company Secretary, or his or her nominee, shall be the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues, and shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.5** Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conferences.

## **6. Notice of meetings**

- 6.1** Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of the members or the Committee Chair.
- 6.2** 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, and any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Any supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **7. Quorum**

- 7.1** The quorum necessary for the transaction of business at a Committee meeting shall be two members, present in person or by audio or video conference. The Chair of the Board may also serve on the Committee as an additional member, but not chair the Committee.
- 7.2** A duly convened Committee meeting 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.

## **8. Voting arrangements**

- 8.1** Subject to Paragraph 8.2 and Paragraph 8.3, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 8.2** If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3** Except where he or she has a personal interest, the Committee Chair shall have a casting vote.
- 8.4** The Committee Chair may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

## **9. Minutes of meetings**

- 9.1** The Company Secretary (or his or her nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2** Draft minutes of Committee meetings shall be circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other Board members unless in the reasonable opinion of the Committee Chair it would be inappropriate to do so.
- 9.3** A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

### **Annual general meeting**

The Committee Chair shall attend the annual general meeting to answer 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.

## **10. Reporting responsibilities**

The Committee shall:

- 10.1** Report to the Board on its proceedings and resolutions, including the names of those present and in attendance, after each meeting on all matters within its duties and responsibilities and minutes of all meetings shall be taken by the Company Secretary and draft minutes circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be circulated to all other members of the Board unless, in the reasonable opinion of the Chair, it would be inappropriate to do so, and included in the Board papers for a subsequent Board meeting. The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2** Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required.
- 10.3** Ensure that provisions regarding the disclosure of information, including pensions, as set out in the Code and/or the AIM Rules, are fulfilled.
- 10.4** If the Committee has appointed remuneration consultants, identify in the annual report, the name of the consultants and state whether they have any connection with the Company.

- 10.5** Make available to shareholders these terms of reference by placing them on the Company's website.

## **11. General matters**

The Committee shall:

- 11.1** Have access to sufficient resources to carry out its duties, including access to the Company Secretary and management for assistance as required;
- 11.2** 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;
- 11.3** Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the Companies Act 2006, the provisions and recommendations of the Code, the requirements of the AIM Rules, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association, the Pensions and Lifetime Savings Association and any other applicable rules, as appropriate;
- 11.4** Work and liaise as necessary with all other Board committees and make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required;
- 11.5** 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;
- 11.6** Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 11.7** Ensure that the Chair of the Committee makes him or herself available at each Annual General Meeting of the Company to answer any questions concerning the Committee's work.

## **12. Authority**

The Board authorises the Committee to:

- 12.1** Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information, to examine any activity within its terms of reference and is authorised to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary. 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;
- 12.2** Seek any information it requires from any employee or director and all such employees and directors of the Group will be directed to co-operate with any request made by the Committee to assist with the performance of its duties;
- 12.3** Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense;
- 12.4** Call any employee of the Group to be questioned at a Committee meeting as and when required.