

Card Factory plc
(the “Company”)

Terms of Reference: Remuneration Committee

as adopted by the Board of Directors of the Company in September 2024

References to the “**Committee**” shall mean the Remuneration Committee.

References to the “**Board**” shall mean the Board of Directors.

References to the “**Code**” shall mean the UK Corporate Governance Code (2018), and with effect from 1 February 2025, shall mean the UK Corporate Governance Code (2024).

1 Membership

1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee of the Company and in consultation with the Chair of the Committee (the “**Committee Chair**”). The Committee shall be made up of at least three independent non-executive directors. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments. The Chair of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chair of the Board.

1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, Chief Financial Officer, People Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.

1.3 Subject to the annual periodic re-election of directors, appointments to the Committee shall be for an initial period of up to three years, which may be extended for up to two additional three-year periods provided the director continues to meet the criteria for membership of the Committee.

1.4 The Board shall normally appoint the Committee Chair who shall be an independent non-executive director who has, before such appointment, 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 to chair the meeting 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 the Committee Chair.

1.5 The Committee Chair shall annually, as part of the annual performance evaluation of the Committee, review the membership of the Committee to ensure that membership is refreshed, and undue reliance is not placed on particular individuals.

2 Secretary

The Company Secretary or their nominee shall act as the secretary of the Committee (the “**Committee Secretary**”) and shall attend all its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees, as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues to be considered at the relevant meeting.

3 Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members, present in person or by audio or video conference.
- 3.2 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.
- 3.3 A member of the Committee shall not be counted in the quorum where decisions are to be made, or discussions are to take place concerning such member's remuneration.
- 3.4 All reasonable efforts shall be made to give notice of meetings of the Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

4 Meetings

The Committee shall meet as frequently as the Committee Chair shall require and also at regular intervals to deal with routine matters and, in any event, not less than twice in each financial year. Any member of the Committee may request a meeting if he/she considers that one is necessary or expedient.

5 Notice of Meetings

- 5.1 Meetings of the Committee shall be called by the Committee Secretary at the request of any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall normally be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five 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.

6 Minutes of Meetings

- 6.1 The Committee Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The Committee Secretary shall also ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to the Chair of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

7 Engagement with shareholders

The Committee Chair should attend the Company's annual general meeting to respond to 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.

8 Role

- 8.1 The role of the Committee is to assist the Board to fulfil its responsibility to shareholder to ensure that:

8.1.1 the remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and

8.1.2 executive remuneration is aligned to company purpose and values and linked to delivery of the company's long-term strategy.

8.2 Subject to paragraph 8.3, in particular, the Committee shall consider:

8.2.1 remuneration policies, including base pay, long-term and short-term incentives, post-employment shareholding requirements and use of the Committee's discretion;

8.2.2 remuneration practice and its cost to the Company;

8.2.3 recruitment, service contracts and severance policies;

8.2.4 pension and superannuation arrangements and other benefits;

8.2.5 the engagement and independence of external remuneration advisers; and

8.2.6 a review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.

8.3 The remuneration of the senior independent director and non-executive directors of the Board shall be determined by the Chair and the executive directors to be decided at a meeting of the Board, to be determined within the limits set in the Company's articles of association. No director shall be involved in any decisions as to their own remuneration.

9 Duties

9.1 The Committee shall carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, and advise the Board as appropriate:

9.1.1 Remuneration policy and practices

(i) determine and agree with the Board, the policy for the remuneration and benefits, including pension rights and compensation payments, of the executive directors and set the remuneration for:

(a) all executive directors

(b) members of the executive management of the Group;

(c) the Company Secretary; and

(d) the Company's Chair,

(Participants).

9.1.2 The Committee shall, in determining the remuneration policy, consider:

(i) all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (**Code**) and associated guidance;

(ii) any shareholding requirements, including the promotion of long-term shareholding by executive directors that support alignment with long-term shareholder interests with share awards subject to a total vesting and holding

- period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
- (iii) the need to promote long-term sustainable success, with executive remuneration aligned to Company purpose and values, without paying more than is necessary, having regard to the views of shareholders and other stakeholders, ensuring that Participants are rewarded in a fair and responsible manner, provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
 - (iv) the need to support the strategy of the Group and how the policy reflects and supports the long-term strategy;
- 9.1.3** 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; when determining executive director remuneration policy and practices, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- 9.1.4** when determining remuneration schemes and the remuneration policy, consider the use of discretion by the Committee to override formulaic outcomes;
- 9.1.5** in determining remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the 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.
- 9.1.6** Review, at least annually, the ongoing appropriateness and relevance of the remuneration policy.
- 9.1.7** within the terms of the agreed policy and in consultation with the Chair and/or chief executive, as appropriate, determine the total individual remuneration package of each Participant (to the extent applicable), including:
- (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;
- 9.1.8** ensure, where relevant, that any payments made in respect of any remuneration package are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval;
- 9.1.9** exercise any discretion or judgment on remuneration outcomes in accordance with any incentive schemes and the remuneration policy, taking account of company and individual performance, and wider circumstances and in relation to performance-based incentive plans using (as appropriate and taking account of the criteria

adopted in each such scheme) a range of financial and non-financial strategic measures to ensure that targets are aligned with how the company will deliver value over the long-term in line with the company's purpose; and

9.1.10 agree the policy for authorising claims for expenses from the directors.

9.2 Share based remuneration and bonus arrangements

9.2.1 review and recommend for approval by the Board (and where required, the shareholders) the design of, and determine the targets for, the operation of all share incentive plans, including all schemes involving the award of shares or the grant of options, in which executive directors, the company secretary and senior executives 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;

9.2.2 monitor and assess any performance conditions applicable to any long-term incentive awards granted under any schemes or plans adopted by the Company. Ensure that the performance conditions are fully explained, aligned to the Company purpose and values, and clearly linked to the successful delivery of the Company's long-term strategy and enhancement of shareholder value;

9.2.3 consider whether the executive directors, the company secretary and senior executives should be eligible for annual bonuses;

9.2.4 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, individual executive directors, the company secretary and senior executives;

9.2.5 exercise independent judgement and discretion when authorising outcomes under all incentive arrangements, taking account of company and individual performance, and wider circumstances;

9.2.6 design and invoke agreed safeguards, for example, clawback or withholding the payment of any sum or share award, 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

9.2.7 ensure that all incentive arrangements are aligned to the Company's risk policies and systems, its purpose and values, support the strategy and promote long-term sustainable success.

9.3 Pensions

Review the pension arrangements for the executive directors, the company secretary and senior executives and consider:

9.3.1 the alignment of pension contribution rates, or payments in lieu, for executive directors, the company secretary and senior executives with those available to the workforce; and

9.3.2 the pension consequences and associated costs to the Company of basic salary increases and any other changes in pensionable remuneration or contribution rates, when compared with workforce arrangements.

9.4 Service contracts and severance

- 9.4.1 approve the terms of the service contracts, the duration of which shall not normally exceed one year's notice period, for executive directors, the company secretary and senior executives and any material amendments to those contracts;
- 9.4.2 determine the policy for, and scope of, termination payments and compensation commitments for each executive director, senior executive and the company secretary and ensure that poor performance is not rewarded and that there is a clear policy to link non-contractual payments to performance;
- 9.4.3 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; and
- 9.4.4 determine the policy for the inclusion of malus and clawback provisions in directors' contracts and/or other agreements or documents which cover director remuneration.

9.5 Workforce Remuneration related policies

- 9.5.1 review workforce remuneration and related policies and the alignment of incentives and rewards with culture;
- 9.5.2 when setting the policy for executive director remuneration, take into account the matters in paragraph 9.5.1;
- 9.5.3 engage with the workforce annually to explain how decisions on executive pay reflect wider company pay policy; and
- 9.5.4 oversee any major changes in remuneration and employee benefits structures throughout the Group.

9.6 Remuneration consultants

- 9.6.1 to help it to fulfil its obligations and 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). However the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants; and
- 9.6.2 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

9.7 Shareholder approval

- 9.7.1 produce a report to shareholders annually on matters relating to Director's 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 UK Listing Rules (as published by the Financial Conduct Authority) (UKLR) and any other relevant statutory, regulatory or governance codes and incorporate:
 - (i) an annual statement by the Committee's chair and annual report on directors' remuneration (together, annual remuneration report); and

- (ii) the directors' remuneration policy when it must be submitted for approval in accordance with paragraph 9.7.2 (directors' remuneration policy) and, in any other case, either the directors' remuneration policy, a summary of such policy or details of when the directors' remuneration policy was approved and where it can be found on the Company's website;
- 9.7.2 submit the directors' remuneration policy for approval by the Board and shareholders:
 - (i) every three years;
 - (ii) in any year in which there is a change to the policy;
 - (iii) if shareholder approval was not obtained when last submitted; and
 - (iv) if majority shareholder approval was not achieved on the last submitted annual remuneration report;
- 9.7.3 submit the annual remuneration report for approval on an advisory basis by the Board and shareholders at the annual general meeting each year; and
- 9.7.4 subject to delegation of authority by the Board, engage in appropriate discussions as necessary with shareholders if, 20% or more of votes have been cast by shareholders against a resolution to approve the annual remuneration report or directors' remuneration policy or any long-term incentive scheme at any annual general meeting or general meeting, as the case may be, and agree with the Board any appropriate disclosure, including in the annual report.

9.8 Other matters

- 9.8.1 keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;
- 9.8.2 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;
- 9.8.3 consider such other matters as are referred to the Committee by the Board; and
- 9.8.4 work and liaise as necessary with all other Board committees.

10 Reporting Responsibilities

10.1 The Committee Chair shall:

- 10.1.1 report to the Board on its proceedings after each meeting on the nature and content of its discussion, recommendations and action to be taken;
- 10.1.2 make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary;
- 10.1.3 provide a description of its work in the annual report in line with the requirements of the UK Corporate Governance Code; and
- 10.1.4 make publicly available the Committee's terms of reference by placing them on the Company's website.

- 10.2** The Committee shall also ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the Company's annual report and put to shareholders for approval at the AGM as necessary.
- 10.3** If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the Company or individual directors.

11 Other Matters

The Committee shall:

- 11.1** have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required and access to the internal audit function to validate calculation of incentive payments to executive directors, Company Secretary and other designated members of the executive management;
- 11.2** 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;
- 11.3** give due consideration to relevant laws and regulations, including the general duties of directors set out in the Companies Act 2006, and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Investment Association, the Pensions and Lifetime Savings Association (PLSA), the GC100 and Investor Group and any other applicable rules, as appropriate;
- 11.4** work and liaise as necessary with all other Board committees, including the nomination committee in respect of any remuneration package to be offered to any new appointee of the Board, ensuring that the interaction between committees and the Committee and the Board is reviewed regularly;
- 11.5** arrange for periodic reviews of its own performance; and
- 11.6** 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.

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 and to obtain, at the Company's expense, appropriate independent legal or other professional advice on any matters within its terms of reference as it considers necessary;
- 12.2** seek any information it requires from any employee of the Group to perform 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, and all such employees are directed to co-operate with any request made by the Committee; and

12.5 have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

Approved by the Remuneration Committee & the Board: 19 September 2024