

**TALKTALK TELECOM GROUP PLC**  
**(the “Company”)**

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**  
**(approved at a meeting of the Board of Directors held on 4 June 2019)**

**CONSTITUTION**

1. The board of directors of the Company (the “**Board**”) hereby resolves that the terms of the reference of the remuneration committee are as follows.

**MEMBERSHIP**

2. Members of the committee shall be appointed by the Board and shall consist of at least three non-executive directors and/or such other non-executive directors as may be appointed from time to time by the Board all of whom are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The members of the committee shall:

- 2.1 have no financial interest (other than as shareholders of the Company) in the matters considered by the committee;
  - 2.2 ensure that they have no potential conflicts of interest arising from cross-directorships and disclose any such conflicts at each meeting should such a conflict arise. In particular, no member of the committee shall be present when his own salary or remuneration is discussed nor shall vote thereon; and
  - 2.3 have no day to day involvement in the running of the business of the Company or any of its subsidiaries.
3. Each member of the committee shall retire on the third anniversary of their appointment (or shorter if such member ceases to be a director). If the Board does not fill the vacancy, the retiring member shall, if willing to act, be deemed to have been reappointed unless the Board resolves not to fill the vacancy or unless a resolution for the reappointment of a member is put to a meeting of the Board and lost.
  4. The chair of the committee shall be appointed by the Board, shall be an independent non-executive director and shall have served on the committee for at least 12 months prior to being elected chair (unless exceptional circumstances apply).
  5. The chair of the Company shall not be the chair of the committee.

6. As at the date of approval of these terms of reference John Gildersleeve shall be the chair of the committee.

#### **MEETINGS AND VOTING**

7. A quorum shall be two members.
8. All reasonable efforts shall be made to give notice of meetings to all members and arrange such meetings so that members are able to be in attendance. If required, the meeting may take place by conference call.
9. In addition to attendance at meetings by the committee members, the Company's chair, the chief executive officer, the chief financial officer and/or other directors and employees, may be invited by the committee to attend meetings to discuss the proposals of the committee relating to the remuneration of other executive directors and senior management. They shall not be entitled to vote.
10. The committee may also consult other non-executive directors in its evaluation of the chair of the Company, the chief executive officer, the chief financial officer and/or other executive directors and/or senior management in respect of other matters. They shall not be entitled to vote.
11. The chair of the committee shall have a casting vote on all matters in the event of an equality of votes.
12. Meetings of the committee are to be held not less than twice a year.

#### **DUTIES AND AUTHORITY**

13. The primary duty of the committee is to make recommendations to the Board on the Company's framework of executive remuneration and its cost; and to determine on behalf of the Board, specific remuneration packages for each of the executive directors (including pension rights and compensation payments), which support the strategy and promote the long-term sustainable success of the Company, which enables the Board to be in a position to report to the Company's shareholders.
14. In carrying out their responsibilities, committee members must act in accordance with the Directors' Duties set out in s.171-177 of the Companies Act 2006. In particular, in discharging its duties the committee should have regard to the UK Corporate Governance Code including the principles and provisions on remuneration in Section 5 and the UKLA Listing Rules and associated guidance and other applicable laws, regulations and guidelines from bodies such as the Investment Association.
15. The committee is authorised by the Board:

- 15.1 to investigate the remuneration paid to the directors and senior management of other companies of a similar size in a comparable industry sector in the UK and the relative performance of such companies;
- 15.2 to obtain information on the remuneration of any employee of the Company and its subsidiary companies (“Group”);
- 15.3 to be responsible for any appointment of any external remuneration consultant, disclosing details of this arrangement in the annual report;
- 15.4 to exercise independent judgement when evaluating the advice of external third parties and when receiving views from executive directors and senior management;
- 15.5 to review all employees remuneration and related policies and the alignment of the incentives and rewards with the culture of the Group and then consider this when determining executive remuneration, be able to explain to employees how decisions on executive pay reflect wider pay policy, provide feedback to the Board on employee rewards, incentives and remuneration conditions, and to support the Board in its monitoring of whether Group’s policies and practices support the Group’s culture and strategy;
- 15.6 to establish and keep under review a formal and transparent policy on executive remuneration and in consultation with the chair of the Board and the chief executive officer, determine the remuneration packages within this policy for individual executive directors and senior management. Senior management shall include but is not limited to executive committee members and the company secretary. In doing so, the committee shall ensure that remuneration packages (including without limitation base salary and short and long-term incentives, benefits and pension arrangements and service contracts):
  - 15.6.1 are appropriate in the context of each individual’s seniority and responsibility;
  - 15.6.2 are consistent with the overall financial and business position of the Group and its position relative to other companies; and
  - 15.6.3 are fair in the context of pay arrangements for all employees of the Group.
- 15.7 ensure that contractual terms on termination and any termination payments made are fair, to ensure failure is not rewarded and that the duty to mitigate loss is fairly applied;
- 15.8 ensure safeguards exist which allow the Company, in specified circumstances, to forfeit all or part of a bonus or performance related pay schemes before it has vested (malus provisions) and or recover sums already paid (clawback provisions);

- 15.9 to seek advice from the company secretary and the in-house legal and human resources departments and to obtain legal, human resources and other independent professional advice;
- 15.10 to secure the attendance of any person with relevant experience and expertise at committee meetings if it considers this appropriate;
- 15.11 to determine remuneration packages including salaries, pensions, bonuses, share options or other long-term incentive arrangements and all other terms and conditions of service and termination payments of executive Board directors within the Group and the chair of the Company;
- 15.12 to recommend and monitor the level and structure of remuneration including pensions and compensation payments for senior management, being in particular the first layer of management below Board level;
- 15.13 to approve the new issue of, or a change to, any contract of employment of or compensation payable to any statutory director of the Company and any member of the Group's executive committee irrespective of their remuneration amount and of any other employee or director of the Group where the basic salary or fee or bonus for such person would exceed £200,000 per annum or for such employee or director the gross amount of compensation (ignoring mitigating or any other factors reducing the amount payable) on termination of any such contract would exceed £200,000 (or its equivalent);
- 15.14 to approve any contract of employment within the Group which has an original fixed term of two years or more taking into account any period of notice required to terminate such contract;
- 15.15 to approve any contract of employment within the Group requiring more than 12 months' notice to determine;
- 15.16 to approve the confirmation of the employment of executive board directors beyond the normal retirement age of sixty-five;
- 15.17 to act as the sole body instructed and authorised to exercise any power or discretion vested in the Board under any share option or bonus or incentive schemes of whatever nature established for the benefit of employees of the Group;
- 15.18 to agree the policy for authorising claims for expenses from the chief executive and chair of the Company;
- 15.19 to be aware of and advise on any major changes in employee benefits structures throughout the Group;

- 15.20 to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
  - 15.21 to report the frequency of, and attendance by members at committee meetings in the Company's annual report;
  - 15.22 to make available the committee's terms of reference in accordance with UK Corporate Governance Code, review the same and, where necessary, update them annually;
  - 15.23 to produce each year a remuneration report, including pensions, on behalf of the Company which complies with the UK Corporate Governance Code, the Companies Act 2006, the UKLA Listing Rules, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended from time to time) and other applicable regulations and guidance, for inclusion in the Company's annual report and for such remuneration report to be placed before the Company's Annual General Meeting for approval by the shareholders; and
  - 15.24 to review and/or determine other matters that may be delegated by the Board to the committee from time to time.
- 16. The committee shall not determine the remuneration of non-executive directors which shall be a matter for the chair of the Company and the executive directors of the Board.
  - 17. The committee shall not determine the remuneration of the chair of the Company which shall be a matter for all non-executive directors (excluding the chair of the Company).

#### **REPORTING PROCEDURES**

- 18. The company secretary shall circulate the minutes of meetings of the committee to all members of the committee and once approved shall be signed by the chair. Such approved minutes shall be made available to any Board member on request. The chair of the committee shall update the Board after each meeting of the committee.
- 19. The chair of the committee shall be available to answer questions about the committee's work at the annual general meeting of the Company.