

Remuneration & Nomination Committee

Terms of Reference

Version 6

A5 - Terms of reference for the Remuneration and Nomination Committee

1 Constitution

- 1.1 The Remuneration and Nomination Committee (the Committee) operates as a committee of the Board of directors of the Company.
- 1.2 The Committee shall be subject to the limitations contained in the Board Terms of Reference and shall seek the Company parent's consent where required under the Board Terms of Reference.
- 1.3 The Committee shall make available to the Company's parent these terms of reference.

2 Duties and Terms of Reference

2.1 Remuneration

The Committee shall:

- 2.1.1 consider and recommend to the Board a policy on board remuneration seeking independent advice as appropriate;
- 2.1.2 review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;
- 2.1.3 recommend to the Board:
 - 2.1.3.1 the remuneration of the chair of the Company;
 - 2.1.3.2 the remuneration, including salary, performance related payments, pension arrangements, termination arrangements other benefits of the executive directors, the chief executive officer and other designated senior executives. No individual shall be involved in any decisions as to their own remuneration;
 - 2.1.3.3 the overall level of the pay award for employees, including performance payments;
 - 2.1.3.4 proposals for alterations to terms and conditions of service which will substantially affect the Company's employees e.g. changes to pension arrangements; and
 - 2.1.3.5 the establishment of any long-term incentive plan;
- 2.1.4 obtain the consent of the Company's parent where any salary increase for any employee would cost the Company more than £110,000 per annum or a proposed increase in the emoluments or pension benefits of such employee is in excess of £50,000 per annum;
- 2.1.5 determine an appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the Company. Remuneration incentives shall be compatible with risk policies and systems. Upper limits shall be set and disclosed;

- 2.1.6 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity to help it fulfil its obligations. The Committee shall 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;
- 2.1.7 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 annual report should identify such consultants and state whether they have any other connection with the Company;
- 2.1.8 approve the design of, and determine targets for, any performance-related pay schemes operated by the Company;
- 2.1.9 determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;
- 2.1.10 consider what compensation commitments (including pension contributions and all other elements) the directors' terms of appointment would entail in the event of early termination. The aim should be to avoid rewarding poor performance. The Committee shall take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss;
- 2.1.11 approve, and make recommendations to the Board regarding any termination or severance payments to executive directors and other designated senior executives;
- 2.1.12 obtain the consent of the Company's parent where any dismissal of staff under disciplinary or capability procedures for any employee would cost the Company more than £110,000 per annum or a proposed increase in the emoluments or pension benefits of such employee is in excess of £50,000 per annum;
- 2.1.13 approve, and make recommendations to the Board with regard to significant changes to staff pension scheme arrangements and to staff terms and conditions of employment;
- 2.1.14 agree the policy for authorising claims for expenses from the directors; and
- 2.1.15 The Board itself or, where required, the Company's parent, should determine the remuneration of the non-executive directors. Levels of remuneration for the chair and non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for non-executive directors should not include performance-related elements.

2.2 Nominations

The Committee shall:

- 2.2.1 regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes;
- 2.2.2 be responsible for recommending to the Board the appointment and removal of the executive directors and the chief executive officer;

- 2.2.3 oversee the process for the recruitment of executive directors and chief executive officer and make recommendations to the Board;
- 2.2.4 consider succession planning for executive and non-executive directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- 2.2.5 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 2.2.6 keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- 2.2.7 be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- 2.2.8 before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
 - 2.2.8.1 use open advertising or the services of external advisers to facilitate the search;
 - 2.2.8.2 consider candidates from a wide range of backgrounds; and
 - 2.2.8.3 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;
- 2.2.9 for the appointment of a board chair, the Committee should prepare a job specification, including the time commitment expected. A proposed chair's other significant commitments should be disclosed to the Board before appointment and any changes to the chair's commitments should be reported to the Board as they arise;
- 2.2.10 prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest; Additional external appointments should not be undertaken without prior approval of the Board;
- 2.2.11 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;
- 2.2.12 obtain the consent of the Company's parent to the appointment of an employee where their emoluments and pension benefits would cost the Company more than £110,000 per annum or a proposed increase in the emoluments or pension benefits of an employee is in excess of £50,000 per annum;

- 2.2.13 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- 2.2.14 approve, and make recommendations to the Board, in relation to the staff structure and new and removed posts outside the budget;
- 2.2.15 make recommendations to the Board concerning:
 - 2.2.15.1 approval of the agreement for services for the chair of the Company any Board member and detailing skills requirements, role and duties;
 - 2.2.15.2 formulating plans for succession for both executive and non-executive directors and in particular for the key roles of chair of the Company and chief executive officer;
 - 2.2.15.3 suitable candidates for the role of senior independent director, if applicable;
 - 2.2.15.4 membership of the audit & risk and remuneration & nomination committees, and any other board committees as appropriate, in consultation with the chair of those committees;
 - 2.2.15.5 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 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);
 - 2.2.15.6 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;
 - 2.2.15.7 significant changes to the staff structure;
 - 2.2.15.8 redundancies with material impact; and
 - 2.2.15.9 Board induction and training plans.

2.3 Performance evaluations

The Committee shall:

- 2.3.1 ensure that an annual evaluation is conducted of the effectiveness of the Board and its committees and that such reviews are carried out by an independent third party at least every three years;
- 2.3.2 arrange the performance appraisal of the chair of the Company;
- 2.3.3 oversee the Board member appraisal process; and

2.3.4 provide feedback to the Board on the annual evaluation of the effectiveness of the Board and its committees.

3 Membership

- 3.1 The Committee shall comprise at least two members. Members of the Committee shall be appointed by the Board, in consultation with the chair of the Committee.
- 3.2 All members of the Committee shall be independent non-executive directors. The chair of the Board can only be a member if they were independent on appointment and cannot chair the Committee. Before appointment as chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months.
- 3.3 Only members of the Committee have the right to attend Committee meetings. However, the human resources director and the Company's remuneration consultants may be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 3.4 The Board shall appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 3.5 The quorum necessary for the transaction of business shall be two.

4 Voting arrangements

- 4.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 4.3 Save where he or she has a personal interest, the chair of the Committee will have a casting vote.

5 Attendance at meetings

- 5.1 The Committee shall meet at least twice a year and otherwise as required.
- 5.2 The Committee chair will not chair a meeting when it deals with the appointment of their successor.
- 5.3 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Company's governance, including the chair of the Company, chief executive officer and chief finance officer.
- 5.4 The company secretary or his or her nominee shall act as 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.

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 its members or at the request of the external or internal auditors if they consider it necessary.
- 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, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting reports shall be sent to Committee members and to other attendees, as appropriate, at the same time.
- 6.3 Notices, agendas and supporting reports can be sent to members in electronic form.

7 Authority

- 7.1 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.
- 7.1 The Committee is authorised to:
 - 7.2.1 seek any information it requires from any employee of the Company in order to perform its duties;
 - 7.2.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
 - 7.2.3 call any employee to be questioned at a meeting of the Committee as and when required; and
 - 7.2.4 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.
- 7.3 The recommendations of the Committee must be approved by the Board before they can be implemented.

8 Reporting

- 8.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee chair it would be inappropriate to do so.
- 8.3 The Committee chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

- 8.4 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.5 The Committee shall compile a report on its activities to be included in the Company's annual report setting out the matters specified in the Code in relation to both Remuneration and Nominations matters.
- 8.6 The Committee shall 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.

9 General Matters

- 9.1 The Committee shall work and liaise as necessary with all other Board committees.
- 9.2 If an annual general meeting is held, the Committee chair should attend to answer any shareholder questions on the Committee's activities.

Version	Amendments	Approved by Board
1	Initial adoption	10/10/2018
2	Review against the UK Corporate Governance Code	27/11/2018
3	Review based on ICSA model	16/01/2020
4	Annual review	09/12/2020
5	Annual review	08/12/2021
6	Annual review	08/03/2023