



# **THE NOMINATION & REMUNERATION COMMITTEE TERMS OF REFERENCE**

## **1 ESTABLISHED**

The Committee has been established under the authority of the Rules and Memorandum of the Society.

## **2 REPORTING**

- a) The Committee Chairman or his nominee shall be available to answer the questions of the Board on its proceedings after each meeting on all matters within its duties and delegated responsibilities;
- b) The Committee shall have authority to make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- c) The Committee shall produce an annual report of the Society's remuneration policy and practices, which shall form part of the Annual Report and Accounts of the Society and ensure that it is put to the Members for approval at the Annual General Meeting.

## **3 OVERALL TERMS OF REFERENCE**

1. In respect of matters of nomination, the Committee shall:
  - a) Conduct the annual review of the structure, size and composition of the Board (including the skills, knowledge, experience and diversity) and make recommendations to the Board with regard to any changes;
  - b) Give consideration to the needs of the Society by ensuring that the Board has the appropriate skills, knowledge, experience and diversity to meet the challenges and opportunities facing the Society;
  - c) Assist in the identification, assessment and consideration of suitable executive and non-executive Board Member nominations to ensure adequate and effective succession.
2. In respect of matters of remuneration, the Committee shall:
  - a) Determine and agree with the Board a remuneration policy for the Society and establish the staff salary budget and pay of the Executives. (See detailed matters for powers to determine remuneration packages);
  - b) Ensure that the levels of remuneration of staff, executives and Board Members are sufficient to attract, retain and motivate individuals of the quality required to contribute to, and run, the Society successfully;
  - c) Ensure that an adequate proportion of the executives' remuneration is linked to the long-term success of the Society and personal performance of the individual.

## **4 POWERS**

- a) The Committee shall operate with the full authority of the Board in accordance with its remit where action or improvement is needed;
- b) The Committee is authorised by the Board to seek any information it requires from any employee of the Society in order to perform its duties;
- c) In connection with its duties, the Committee is authorised by the Board to obtain, at the Society's expense, any outside legal or other professional advice.

## **5 DETAILED TERMS OF REFERENCE**

### **1. Membership**

- a) The Committee shall consist of not more than four (4) members who shall be serving Members of the Board: the Chairman, the Senior Independent Director, one other Non-Executive member of the Board and the Chief Executive, or in his absence, the Deputy Chief Executive. The Deputy Chief Executive may attend the Committee in an adviser/Observer capacity;
- b) Two (2) members of the Committee must be independent non-executive directors;
- c) The Board may from time to time resolve membership of the Committee and its terms of reference;
- d) The Chairman of the Committee shall be the Senior Independent Director;
- e) The Chief Executive will not have a vote in respect of matters concerning remuneration, other than in respect of matters of non-executive director remuneration.

### **2. Quorum**

- a) No business shall be considered by the Committee unless a quorum is present at the time when the meeting proceeds to business;
- b) A quorum shall be constituted for all purposes by a majority of the voting members. (Three – 3);
- c) If it appears that no quorum shall be present the Chief Executive or his Deputy, shall have power to co-opt any serving member of the Board of Management on to the Committee, following consultation and agreement with the Chairman of the Committee;
- d) Every question at any meeting shall be decided by a majority of votes, in the case of an equal vote, the Chairman shall have an additional casting vote;
- e) No member of the Committee may vote on decisions relating to their own remuneration.

### **3. Frequency of Meetings**

The Committee shall meet at such frequency as shall be required to effectively discharge its responsibilities and in accordance with the timetable established by the Board annually. The first part of the meeting will focus on nomination matters, the second part of the meeting will focus on remuneration issues.

### **4. Minutes**

- a) Minutes shall be taken by the Company Secretary or his nominee at each meeting and shall be distributed to the Chairman of the Committee in draft normally within fourteen

(14) days of the meeting, for information and amendment as necessary. The Chairman of the Committee is encouraged to return the Minutes within forty-eight (48) hours with any proposed changes and seven (7) days after the Chairman's approval, the Minutes will be forwarded to the Committee;

- a) If the draft Minutes require amendment, the final draft of the Minutes of the Meeting and any supporting papers shall be distributed to the Committee not less than seven (7) days prior to the Meeting;
- b) Minutes of the Meeting shall be distributed to the Board not less than seven (7) days prior to their Meeting.

## **5. Report to the Annual General Meeting**

The Chairman of the Committee, or his nominee, shall attend the Annual General Meeting to answer any Member's questions on the Committee's activities.

## **6. Attendance of Staff**

Staff and external advisers may be invited to attend for all or part of any meeting as and when appropriate by the Chairman of the Committee.

# **6 DETAILED MATTERS**

1. In respect of matters of nomination, the Committee shall:
  - a) Review at least annually the structure, size and makeup of the Board (including assessing the skills, knowledge, experience and diversity of the Board) to ensure it remains appropriate to the needs of the organisation and the law;
  - b) Ensure that any identified skills gaps on the Board can be filled and/or addressed within the overall parameters established under the General Rules of the Society;
  - c) Ensure eligible individuals who possess the requisite skills, knowledge, experience and commitment to the Society's strategic development are identified and put forward for consideration and approval for service on the Board;
  - d) Ensure a description of the role and capabilities required for any particular appointment are prepared and that all requisite information and satisfactory responses to enquiries in support of nominations for service on the Board are obtained (including ensuring that individuals have enough time at application and ongoing to devote to the role and to discharge their responsibilities effectively);
  - e) Ensure all necessary regulatory procedures and good governance practice are followed and/or complied with in relation to all appointments to the Board;
  - f) Hear and rule upon appeals resulting from a decision not to appoint a candidate to the Board. The decision of the Committee to be final;
  - g) Ensure that any continuing personal development of Board Members is relevant to their needs, joint or several and consistent, with the strategic aims and intentions of the Society;
  - h) Ensure that an annual performance evaluation of the Board and of individual Board Members takes place and that the findings of such evaluation(s) informs the future structure, size and composition of the Board;
  - i) Ensure suitable plans exist for the succession of both executive and non-executive Board Members and in particular for the roles of Chairman and Chief Executive;
  - j) Keep under consideration the composition and makeup of all Board Sub-Committees and put forward for consideration and the approval of the Board any changes thereto.
2. In respect of matters of remuneration, the Committee shall:

- a) Review the ongoing appropriateness and relevance of the Society's remuneration policy;
- b) Approve the design of, and determine targets for, any performance related pay schemes operated by the Society and approve the total annual payments made under such schemes, in accordance with the provision of the UK Corporate Governance Code;
- c) Determine the policy for, and scope of, pension arrangements for each executive member of the Board and staff;
- d) Ensure that contractual terms on termination and any payments made, are fair to the individual, and the Society, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- e) Within the terms of the agreed policy ensure that:
  - (i) The total remuneration package of the Executives is determined by the Committee for approval by the Board, and
  - (ii) The total remuneration package of non-executive Board members is proposed by the executives for approval by the Board.
- f) In determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code;
- g) Ensure that reliable, up-to-date information about remuneration in other organisations of comparable size and complexity is used to support the work of the Committee within any reasonable budgetary constraints imposed by the Board. Such information to include reports, participating in surveys and such like.
- h) Oversee any major changes in employee benefits structures throughout the Society;
- i) Agree the policy for authorising claims for expenses from the Board Members;
- j) Ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and in the UK Corporate Governance Code are fulfilled;
- k) Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.

## **7 PERFORMANCE REVIEW**

The Committee shall, at least every twelve (12) months, review its own performance, constitution and terms of reference to ensure it is operating to maximum effectiveness and recommend any changes it considers necessary to the Board for approval.