



**Terms of Reference**

# **Nomination and Remuneration Committee**

A large, abstract graphic element at the bottom of the page. It consists of three overlapping curved shapes: a blue shape on the left, a green shape in the center, and an orange shape on the right. They overlap to form a stylized, wave-like pattern.

**Keeping life colourful**

# Terms of Reference

## 1. Membership

- a. Members of the Committee shall be appointed by the Board and shall be made up of least three members. At least three members shall be non-executive directors of the Society and the Nomination Committee only will include the Chief Executive Officer.
- b. Only members of the Committee have the right to attend Committee meetings. However, other individuals and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- c. The Board of Management shall agree the membership of Committee at its first meeting following the AGM of the Society each year.
- d. The Committee shall elect a Chairman at its first meeting following the reconstitution of the Committee as set out in 1(c) above. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting. The Chairman of the Board shall not chair the Remuneration Committee nor the Nomination Committee when it is dealing with the matter of succession to the chairmanship.

## 2. Secretary

The Company Secretary shall act as the secretary of the Committee.

## 3. Quorum

The quorum necessary for the transaction of business shall be two, both of whom must be independent non-executive directors. 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.

## 4. Frequency of meetings

The Committee shall meet at least twice each year and additionally as the Chairman of the Committee shall require.

## 5. Notice of meetings

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee.

- a. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee.

- b. 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 seven working 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

- a. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- b. Minutes of Committee meetings shall be circulated to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board, unless a conflict of interest exists.

## 7. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any members questions on the Committee's activities.

## 8. Duties

- a. The Nomination Committee shall:
  - i. regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
  - ii. give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board in the future;
  - iii. be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
  - iv. before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience 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 may:
    - 1. use open advertising or the services of external advisers to facilitate the search;

- 2.** consider candidates from a wide range of backgrounds; and
- 3.** consider candidates on merit, taking care that appointees have enough time available to devote to the position;
- v.** 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;
- vi.** 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; and
- vii.** 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.
- b.** The Nomination Committee shall also make recommendations to the Board concerning:
- i. formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive (but see 8.b.vii below);
  - ii. 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;
  - iii. the continuation (or not) in service of any director who has reached the Board retirement age;
  - iv. the re-election by members of any director under the ‘retirement by rotation’ provisions in the Society’s rules having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
  - v. 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 Society subject to the provisions of the law and their service contract; and
  - vi. the appointment of any director to executive or other office other than to the positions of Chairman and Chief Executive, the recommendation for which would be considered at a meeting of the full Board.
- c.** The Remuneration Committee shall:
- i. have responsibility for setting the remuneration policy and in consultation with the Chairman of the Board and/or the Chief Executive (as appropriate) determine the total individual remuneration package for all executive directors, the Chairman of the Board and other designated senior executives, including pension rights, compensation payments, executive bonus schemes and incentive payments and other awards;
  - ii. receive recommendations from the Chief Executive regarding the fees for non-executive directors;
  - iii. ensure no director or senior manager is involved in any decisions as to his own remuneration. Review and approve at Society level (not individual) the policy relating to employee salary bands and employee bonus schemes;
  - iv. in determining the remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the Remuneration Code, the Society’s culture, the UK Corporate Governance Code (as annotated for Mutual Insurers) and associated guidance. Executive directors’ remuneration should be designed to promote the long-term success of the Society, without paying more than is necessary, having regard to views of members and other stakeholders. The remuneration policy should have regard to, and be compatible with, the risk appetite of the Society and alignment to the Society’s long term strategic goals. The Remuneration Committee should determine the 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 Society;
  - v. approve the Society’s Remuneration Code Statement;
  - vi. when setting the remuneration policy for directors, review and have regard to pay and employment conditions across the Society and appropriate comparators in the mutual and friendly society sectors;
  - vii. make recommendations to the non-executive directors on the CEO’s remuneration;
  - viii. ensure that all remuneration payments made to any director are consistent with the remuneration policy;
  - ix. review the ongoing appropriateness and relevance of the remuneration policy, in particular in respect of the approach to recruitment, the policy on payments for loss of office and the exercise of discretion;
  - x. 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. Performance-related elements should be transparent, stretching and rigorously applied and performance-related pay schemes should include provisions that would enable the Society to recover sums paid or

- withhold the payment of any sum and specify the circumstances in which it would be appropriate to do so;
- x.** 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 and ensure that all loss of office payments made to any director are consistent with the remuneration policy;
  - xii.** within the terms of the agreed policy and in consultation with the Chairman of the Board and/or the Chief Executive (as appropriate) determine the total individual remuneration package of each executive director, the Chairman of the Board and other designated senior executives including bonuses, incentive payments and other awards;
  - xiii.** oversee any major changes in employee benefits structures throughout the Society or group;
  - xiv.** be exclusively responsible for establishing the selection criteria and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee;
  - xv.** obtain reliable, up-to-date information about remuneration in other companies and organisations of comparable scale and complexity;
  - xvi.** work and liaise with the Risk Committee as appropriate to report, manage and oversee risks in relation to remuneration strategy and approach; and
  - xvii.** work and liaise as necessary with all other committees of the Board.

## **9. Reporting responsibilities**

- a.** The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- b.** The Committee shall 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 make a statement in the Annual Report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.

## **10. Other**

The Committee shall, at least once a year, review its own performance, 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. Authority**

- a.** The Committee is authorised to seek any information it requires from any employee of the Society in order to perform its duties.
- b.** The Committee is authorised to obtain, at the Society's expense, outside legal or other professional advice on any matters within its terms of reference.

# Contact us.

We're here to help.

## **Address**

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## **We're here**

**Monday - Friday** 9.00am to 5.00pm