



## TERMS OF REFERENCE

### Remuneration Committee

Adopted by the Board on 5<sup>th</sup> March 2019

#### 1. Introduction

The Shepherds Remuneration Committee assists the Board of the Society (the “Board”) in meeting its obligations under the Friendly Societies Act 1992, the Financial Services and Markets Act 2000 and the Financial Services Act 2012. The Remuneration Committee will always seek to deliver its responsibilities within the Policy framework set by the Board and the applicable parts of the Prudential Regulation Authority and Financial Conduct Authority rulebooks.

#### 2. Purpose

- 2.1 This Committee is established under the Authority of the Board to assist and advise the Board in exercising its responsibilities in relation to remuneration matters.
- 2.2 To ensure that the Society’s remuneration policy complies with the FCA Remuneration Code and the Remuneration part of the PRA Rule Book and other relevant regulatory guidance.
- 2.3 To ensure that the Society’s remuneration policy is aligned to its business strategy & objectives, its risk appetite, and its values & culture.
- 2.4 To provide a forum for independent oversight of the Executive team in how they implement all remuneration processes within the organisation ensuring that incentives drive behaviours consistent with the Society’s values and protect the reputation of the Society by not attracting adverse comment.
- 2.5 To have oversight of remuneration structures within the organisation, ensuring that they are competitive and will attract and retain the best people.
- 2.6 To actively consider developments with regard to remuneration disclosures and adopt practices proportionate to the Society.
- 2.7 To protect the interests of members and customers at all times.

#### 3. Membership

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- 3.1. The Committee will be appointed by the Board and will comprise of at least two Non-Executive Directors, and such Executive as the Board see fit. The Board will nominate one of the non-executive members of the Committee as Chairman of the Committee.
- 3.2. The Board may also elect to appoint an Independent Expert to the Remuneration Committee from outside the Society in order to enhance its effectiveness;
- 3.3. The Remuneration Committee will invite additional attendees from executive management; and
- 3.4. Any member should have the skills and experience necessary for them to make a useful contribution to the work of the Committee.

#### **4. Meetings**

- 4.1 Meetings will normally be held a minimum of three times a year. In case of need, the Chairman may call a special meeting of the Committee. Attendance may be by teleconference call with the consent of the Chairman;
- 4.2 The agenda will be prepared by the Chief Culture Officer and agreed with the Chairman of the Remuneration Committee. The agenda and support papers will be circulated to all members and invited attendees at least five days before the next meeting;
- 4.3 Minutes of the meetings will be taken by the Chief Culture Officer or such other person as the Chairman nominates, and will then be circulated to Committee members and to Board members prior to the next meeting;
- 4.4 Two Non Executive Directors are required to constitute a quorum. No business will be conducted in the absence of a quorum. A meeting will terminate as soon as it becomes inquorate;
- 4.5 The Remuneration Committee may request any attendees to leave the meeting in order that the Committee members can discuss matters confidentially.

#### **5. Responsibilities**

The Remuneration Committee is a body that will be responsible for:

##### **5.1 Overall remuneration approach**

- a) To review the remuneration policy applicable to senior management, staff as well as notified non executive directors and ensure that they are competitive enough to attract and retain high quality people. Undertake bench-marking work to establish the levels of remuneration.
- b) To consider the balance between fixed pay and bonus related pay bearing in mind the guidance within the UK Corporate Code and the views of the PRA and the FCA.

##### **5.2 Remuneration & reward approach**

- a) To recommend to the Board the overall remuneration package for the Chief Executive Officer and adopt an approach which is motivational but which does not encourage any form of risk taking beyond the Society's risk appetite and does not become the cause of poor conduct leading to poor member outcomes.
- b) To review all remuneration packages offered by the CEO to other senior staff and ensure that they are compatible with the principles applicable to the CEO's own remuneration package.
- c) The remuneration of the Chairman of the Board is determined annually by the non-executive directors under the direction of the Senior Independent Director.
- d) The remuneration of the non-executive directors is determined annually by the Chief Executive Officer and the Chairman of the Board.
- e) To ensure that any compensation payments made to departing directors are appropriate and reflect their conduct and performance as well as their obligation to mitigate loss.

### **5.3 Monitoring conflicts of interest**

- a) To review if there are any conflicts of interest arising from remuneration packages applicable to staff and to any out-sourced providers who are deemed to be a key function holder within the Society.

### **5.4 Reviewing the "Gifts" register**

- a) To set levels at which gifts or entertainment provided to senior management function holders, notified non-executive directors and staff are deemed to be acceptable.
- b) To examine the gifts register annually and ensure the agreed acceptability levels are not breached.

## **6. Relationship with other Committees**

- 6.1 The Committee will consider the recommendations of the Risk Committee regarding the proper assessment and management of risk by the Executive in order to decide the appropriate level of bonus against this KPI.

## **7. Escalation and Reporting Structure**

The Remuneration Committee will report directly to the Board.

Matters that are deemed to be outside the responsibilities of the Remuneration Committee will be submitted to the Board for consideration and/or guidance.

## **8. Conduct Risk**

The Conduct Risk Framework falls under the responsibility of the Board.

**9. Authority**

- 9.1 The Remuneration Committee may inspect any records of the Society and seek information from any of its Employees; and
- 9.2. The Remuneration Committee may seek external legal and professional advice if this is required for it to fulfil its duties and responsibilities.
- 9.3 The Remuneration Committee does not have delegated authority from the Board and makes recommendations to the Board for approval.

**10. Self Appraisal**

On an annual basis the Remuneration Committee should formally appraise its performance against its role and objectives and minute the extent to which it has met its requirements, together with an action plan should any shortcomings be identified.