

**TERMS OF REFERENCE
GROUP REMUNERATION COMMITTEE**

Adopted by the Board on 8th July 2015

1. Introduction

The Group Remuneration Committee assists the boards of the Shepherds Friendly Society and Financial Advice Network in meeting their obligations under the Friendly Societies Act 1992, the Financial Services and Markets Act 2000 and the Financial Services Act 2012. It also recognises and complies with regulatory requirements and the principles of good corporate governance.

2. Purpose and Responsibilities

- 2.1 To take responsibility for ensuring that Remuneration matters within the Group are appropriately managed.

3. Composition

- 3.1 The Group Remuneration Committee will comprise a minimum of two members, who should be non executive directors of either Shepherds Friendly or Financial Advice Network.
- 3.2 The SFS Board approves membership of the Committee.

4. Meetings

- 4.1 Meetings will be held a minimum of three times a year. Meetings will be attended by the Head of People and Culture. In case of need, the Chairman may call a special meeting of the Committee.
- 4.2 The agenda will be agreed by the Chairman of the Group Remuneration Committee.
- 4.3 Minutes of the meetings will be taken by the Head of People and Culture and will then be circulated to the members of the Committee and to SFS Board members prior to the next appropriate Board Meeting.
- 4.4 The agenda and supporting papers will be circulated to all members and invited attendees at least seven days before the meeting.

- 4.5 A quorum is two members of the Remuneration Committee. No business will be conducted in the absence of a quorum. A meeting will terminate as soon as it becomes inquorate.
- 4.6 Other attendees may be invited by the Chairman.
- 4.7 The Committee may request any attendees to leave the meeting in order that Committee members can discuss matters confidentially.

5. Objectives

- 5.1 To ensure that through its work that the best interests of the members and customers are always considered and protected.
- 5.2 To ensure that the remuneration policy and practices of the Group encourages performance and rewards individuals fairly and responsibly bearing in mind the parameters of the Group's Risk Framework, the regulator's remuneration code as well as the interests of its members and customers.
- 5.3 To determine the remuneration package and KPI targets of the CEO in accordance with regulatory requirements. To validate recommendations from the CEO for the remuneration package and KPI targets of senior management.
- 5.4 To determine the fees and expenses of non-executive members of the Board. To review all fees and expenses on an annual basis.
- 5.5 To consider external evaluation of the Committee's performance.

5.6 Conduct Risk Framework

- 5.6.1 To consider the Conduct Risk Framework in terms of Remuneration & Incentives:
- 5.6.2 Basic v Commission v soft benefit relationship
- 5.6.3 Good customer outcomes rewarded
- 5.6.4 Third party inducements
- 5.6.5 Benchmarking – cost to customers

6. Reporting Structure

The Remuneration Committee will report direct to the SFS Board, with the Chairman of the Committee acting as spokesman.

7. Authority

- 7.1 The Group Remuneration Committee does not have delegated authority from the SFS Board and makes recommendations to the Board for approval.
- 7.2 The Group Remuneration Committee may seek external legal and professional advice if this is required for it to fulfil its duties and responsibilities.

8. Relationships with other committees

- 8.1 To 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 award against this KPI.

9. Self Appraisal

On an annual basis the Group 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.