



TERMS OF REFERENCE

REMUNERATION COMMITTEE

Adopted by the Board on 31st January 2017

1. Introduction

The Remuneration Committee assists the Board of the Shepherds Friendly Society in meeting its 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

The Remuneration Committee is a body that will:

- 2.1 Ensure that through its work the best interests of the Society's members and customers are always considered and protected.
- 2.2 Take responsibility for ensuring that the Society's remuneration policy is aligned to business strategy & objectives, its risk appetite, values and culture
- 2.3 Be responsible for the oversight of the design and implementation of the Society's remuneration policy
- 2.4 Be responsible for the oversight of ensuring that Remuneration matters within the Society are appropriately managed and compliant with the remuneration policy.

3. Reporting Structure

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

4. Membership

- 4.1 The Committee will be appointed by the Board and will comprise of one or more Non-Executive Directors, and such Executives as the Board see fit. The Board will nominate one of the Non-Executive members of the Committee as Chairman of the Committee.
- 4.2 Any members should have the skills and experience necessary for them to make a useful contribution to the work of the Committee.
- 4.3 Other attendees may be invited to attend by the Chairman.

5. Meetings

- 5.1 Meetings will be held a minimum of three times a year. Meetings will be attended by the Chief Culture Officer. In case of need, the Chairman may call a special meeting of the Committee.
- 5.2 The agenda will be agreed by the Chairman of the Remuneration Committee.
- 5.3 Minutes of the meetings will be taken by the Chief Culture Officer and will then be circulated to the members of the Committee and to SFS Board members prior to the next appropriate Board Meeting.
- 5.4 The agenda and supporting papers will be circulated to all members and invited attendees at least five days before the meeting.
- 5.5 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.
- 5.6 Other attendees may be invited by the Chairman.
- 5.7 The Committee may request any attendees to leave the meeting in order that Committee members can discuss matters confidentially.

6. Authority

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

7. Escalation

Matters that are deemed to be outside the responsibilities of the Committee will be raised at Board level.

Powers and Responsibilities of the Remuneration Committee

- 8.1 To ensure that the remuneration policy and practices of the Society encourages performance and rewards individuals fairly and responsibly bearing in mind the parameters of the Society's Risk Framework, the regulator's remuneration code as well as the interests of its members and customers.
- 8.2 To determine the remuneration package, KPI targets of the CEO and any longer term incentive plans in accordance with regulatory requirements. To validate recommendations from the CEO for the remuneration package and KPI targets of senior management.
- 8.3 To determine the fees and expenses of non-executive members of the Board. To review all fees and expenses on an annual basis.
- 8.4 To consider external evaluation of the Committee's performance.
- 8.5 To undertake an assessment of its performance in line with the objectives of the terms of reference.
- 8.6 To consider any other issues that the Board may delegate as appropriate.

9. Relationships with other committees

- 9.1 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.

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.