

Terms of Reference Remuneration and Engagement Committee

Adopted by the Board on 1st February 2022

1. Introduction

The Shepherds Remuneration and Engagement 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 and Engagement 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 and Engagement policy is aligned to the Society’s culture and purpose of simplicity, working together and doing the right thing. To ensure that the Society’s Remuneration and Engagement policy is clear and easy to understand, engages our people, and delivers rewards appropriate to their needs and wants.
- 2.3 To have oversight of remuneration structures within the organisation, ensuring that they are competitive and will attract and retain the best people as well as providing them with opportunities to develop and learn.

- 2.4 To ensure that the Society's Remuneration and Engagement policy complies with the FCA Remuneration Code and the Remuneration part of the PRA Rule Book and other relevant regulatory guidance.
- 2.5 To ensure that the Society's Remuneration and Engagement policy is aligned to its business strategy & objectives, its risk appetite, and its values & culture.
- 2.6 To provide a forum for independent oversight of the Executive team in how they implement the Society's Remuneration and Engagement policy 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.
- 2.7 To delegate authority to the Executive to recruit and reward talent appropriately to enable the Society to achieve its strategic objectives.
- 2.8 To actively consider best practice developments with regard to remuneration disclosures and policy. To adopt practices, proportionate to the Society.
- 2.9 To protect the interests of members at all times.

3. Membership

- 3.1 The Committee will be appointed by the Board and will comprise of Non-Executive Directors only. The Board will nominate one of the Non-Executive members of the Committee as Committee Chair. The CEO and Culture Director attend by invitation but are not present for any discussions relating to their individual remuneration;
- 3.2 The Remuneration and Engagement Committee may invite additional attendees from executive management; and
- 3.3 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 Committee Chair may call a special meeting of the Committee. Attendance may be in person, by teleconference call, or other form of electronic communication;
- 4.2 If the Committee Chair is unable to attend, then members of the Committee may appoint another Non-Executive member of the Committee to act as Chair;

- 4.3 The agenda will be prepared by the Culture Director and agreed with the Committee Chair. The agenda and support papers will be circulated to all members and invited attendees at least five days before the next meeting;
- 4.4 Minutes of the meetings will be taken by the Culture Director or such other person as the Committee Chair nominates, and will then be circulated to Committee members and to Board members prior to the next meeting;
- 4.5 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;
- 4.6 The Remuneration and Engagement Committee may request any attendees to leave the meeting in order that the Committee members can discuss matters confidentially.

5. Responsibilities

The Remuneration and Engagement Committee is a body that has responsibility for:

5.1 Overall remuneration approach

- a) To review the Society's Remuneration and Engagement policy to ensure that we are attracting and retaining high quality talent. To be reviewed as part of the CEO's annual report on how the Remuneration and Engagement policy has been implemented in the Society.
- 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.
- c) To have oversight of gender pay gap within the Society and the actions taken by the Executive to address the gender pay gap

5.2 Remuneration & Engagement approach

- a) To recommend to the Board the overall remuneration package for the CEO 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) To have oversight of the remuneration, recognition and engagement practices within the Society to attract and retain high quality talent. To be reviewed as part of the CEO's annual report on the Remuneration and Engagement policy.
- d) To understand the talent market and current trends regarding reward and remuneration.
- e) To review the benchmarking information related to fees for NEDs including the Board Chair. The Board Chair is responsible for approving the fees as recommended by the executive directors for NEDs. The Committee will make a recommendation to the Board regarding the fee for the Board Chair.
- f) To ensure that any compensation payments made to departing directors are appropriate and reflect their conduct and performance as well as seeking to mitigate any losses.

5.3 Monitoring conflicts of interest

To review if there are any conflicts of interest arising from remuneration packages applicable to staff and to any outsourced 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

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

7. Escalation and Reporting Structure

The Remuneration and Engagement Committee will report directly to the Board.

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

8. Authority

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

9. Self Appraisal

On an annual basis the Remuneration and Engagement 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.



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