

TERMS OF REFERENCE OF THE NOMINATION AND REMUNERATION COMMITTEE OF SCHOOLTEACHERS FRIENDLY SOCIETY

1. Membership

- 1.1. Members of the Committee shall be appointed by the Board, in consultation with the Chairman of the Nomination and Remuneration Committee. The Committee shall be made up of at least 3 members, majority of who are independent Non-Executive Board Members.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3. Appointments of Non-Executive Board Members to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods.
- 1.4. The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Board Member. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be Chairman of the Committee.

2. Secretary

- 2.1. The Chief Executive or their nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be 3. 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. Meetings

- 4.1. The Committee shall meet at least once a year and at such other times as the Chairman of the Committee shall require.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
- 5.2. 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 board members, no later than 5 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

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

7. Annual General Meeting

- 7.1. The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any member questions on the Committee's activities.

8. Duties

The Committee shall:

- 8.1. determine and agree with the Board the framework or broad policy for the remuneration of the Society's Chief Executive/Secretary, Chairman, and the Executive Board Members. The remuneration of Non-Executive Board Members shall be a matter for the Chairman and the Executive Members of the Board. No Board Member or Manager shall be involved in determining their own remuneration;
- 8.2. in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Society are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Society;
- 8.3. review the ongoing appropriateness and relevance of the remuneration policy;
- 8.4. 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;
- 8.5. determine the policy for, and scope of, pension arrangements for each Executive Board Member;
- 8.6. 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;
- 8.7. within the terms of the agreed policy and in consultation with the Chairman, determine the total individual remuneration package of each Executive Board Member including bonuses, and incentive payments
- 8.8. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and associated guidance;
- 8.9. review and note annually the remuneration trends across the friendly society sector;
- 8.10. oversee any major changes in employee benefits structures throughout the Society;
- 8.11. agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- 8.12. ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled;
- 8.13. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee: and to obtain reliable, up-to-date information about remuneration in other Societies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations;

- 8.14. 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;
- 8.15. give full consideration to succession planning for members and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Society, and what skills and expertise are therefore needed on the board in the future;
- 8.16. be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- 8.17. 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 shall;
 - 8.17.1 use open advertising or the services of external advisers to facilitate the search if they consider it appropriate;
 - 8.17.2 consider candidates from a wide range of backgrounds; and;
 - 8.17.3 consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- 8.18. keep under review the leadership needs of the Society, both Executive and Non-Executive, with a view to ensuring the continued ability of the Society to compete effectively in the marketplace;
- 8.19. keep up to date and fully informed about strategic issues and commercial changes affecting the Society and the market in which it operates;
- 8.20. review annually the time required from Non-Executive Board Members. Performance evaluation should be used to assess whether the Non-Executive Board Members are spending enough time to fulfil their duties, and;
- 8.21. ensure that on appointment to the Board, Non-Executive Board Members 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.
- 8.22. The Committee shall also make recommendations to the Board concerning;
 - 8.22.1 formulating plans for succession for both Executive and Non-Executive Board Members and in particular for the key roles of the Chairman and the Chief Executive (but see 8.22.8 below);
 - 8.22.2 suitable candidates for the role of senior independent Board Member;
 - 8.22.3 membership of the ARC Committee, in consultation with the Chairman of that Committee;
 - 8.22.4 the re-appointment of any Non-Executive Board Member 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;

8.22.5 the continuation (or not) in service of any Board Member who has reached the age of 70;

8.22.6 the re-election by members of any Board Member 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;

8.22.7 any matters relating to the continuation in office of any Board Member at any time including the suspension or termination of service of an Executive Board Member as an employee of the Society subject to the provisions of the law and their service contract; and;

8.22.8 the appointment of any Board Member to Executive or other office other than to the positions of the Chairman and the Chief Executive, the recommendation for which would be considered at a meeting of the full board.

9. Reporting Responsibilities

- 9.1. The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Committee shall produce an annual report of the Society's remuneration policy and practices which will form part of the Society's Annual Report and ensure each year that it is put to members for approval at the AGM.
- 9.4. 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

- 10.1. 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

- 11.1. The Committee is authorised by the Board to seek any information it requires from any employee of the Society in order to perform its duties.
- 11.2. In connection with its duties the Committee is authorised by the Board to obtain, at the Society's expense, any outside legal or other professional advice.