

Example 3: Remuneration Committee Charter

1. Membership

- 1.1 The committee shall comprise at least [number] members, all of whom shall be independent non-executive directors. Members of the committee shall be appointed by the board, on the recommendation of the nomination committee and in consultation with the chairperson of the remuneration committee.
- 1.2 Only members of the committee have the right to attend committee meetings. However, other individuals such as the CEO and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3 Appointments to the committee are made by the board and shall be for a period of up to three years extendable by no more than two additional three-year periods.
- 1.4 The board shall appoint the committee chairperson who shall be an independent non-executive director. In the absence of the committee chairperson and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board. The chairperson of the board shall not be chairperson of the committee.

2. Secretary

- 2.1 The company secretary or his or her nominee shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum

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

4. Meetings

- 4.1 The committee shall meet at least once a year and otherwise as required.
- 4.2 The notice of each meeting of the committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Committee not less than five working days prior to the date of the meeting.
- 4.3 The Committee shall normally invite the chairperson of the board and the chief executive to attend meetings to discuss the performance of other executive directors and to make proposals as necessary.
- 4.4 The chairperson of the committee shall attend the annual general meeting and be prepared to answer questions concerning the appointment of executive and non-executive directors and maintain contact as required with the organisation's principal shareholders and stakeholders about the appointment of executive and non-executive directors.

5. Notice of meetings

- 5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chairperson.
- 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 directors, no later than [five] 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 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless in the opinion of the committee chairperson it would be inappropriate to do so.

7. Annual general meeting

- 7.1 The committee chairperson should attend the annual general meeting to answer any shareholder questions on the committee's activities.

8. Duties

The committee shall:

- 8.1 Have responsibility for setting the remuneration policy for all executive directors and the company's chairperson, including pension rights and any compensation payments. The board shall determine the remuneration of the non-executive directors. No director or senior manager shall be involved in any decisions as to their own remuneration.
- 8.2 Recommend and monitor the level and structure of remuneration for senior management.
- 8.3 Take into account all factors which it deems necessary including relevant legal and regulatory requirements, the principles of the Code and associated guidance. The objective of the remuneration policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the company and alignment to the company's long strategic term goals.
- 8.4 When setting remuneration policy for directors, review and have regard to pay and employment conditions across the company or group, especially when determining annual salary increases.
- 8.5 Review the on-going appropriateness and relevance of the remuneration policy.
- 8.6 Within the terms of the agreed policy and in consultation with the chairperson and/or CEO, as appropriate, determine the total individual remuneration package of each executive director, the company chairperson and other designated senior executives including bonuses, incentive payments and share options or other share awards.
- 8.7 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the company but within any budgetary restraints imposed by the board.
- 8.8 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.
- 8.9 Approve the design of, and determine targets for, any performance-related pay schemes operated by the company and approve the total annual payments made under such schemes.
- 8.10 Review the design of all share incentive plans for approval by the board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other designated senior executives and the performance targets to be used.

- 8.11 Determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives.
- 8.12 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 8.13 Oversee any major changes in employee benefits structures throughout the company or group.
- 8.14 Agree the policy for authorising claims for expenses from the directors.
- 8.15 Work and liaise as necessary with all other board committees.

9. Reporting responsibilities

- 9.1 The committee chairperson shall report 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 ensure that provisions regarding disclosure of information are fulfilled and produce a report of the company's remuneration policy and practices to be included in the company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company.
- 9.4 Through the chairperson of the board, ensure that the company maintains contact as required with its principal shareholders about remuneration.

10. Remuneration

- 10.1 Having regard for the functions performed by the members of the Committee in addition to their functions as directors in relation to the activities of the Committee members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the board. Such special remuneration shall be in addition to the annual fees payable to directors.
- 10.2 The chairperson of the Committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the board.

11. Other matters

The committee shall:

- 11.1 Have access to outside or other independent professional advice as it considers necessary to carry out its duties.
- 11.2 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 11.3 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 11.4 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors.
- 11.5 Arrange for periodic reviews of its own performance and, at least annually, review its 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.