



**Terms of Reference
Remuneration Committee**

**Last updated
26 September 2018**

1.0 Objective

- 1.1 The Remuneration Committee is responsible to the Managing Board for: the determination of the framework and policy for the remuneration of the Police Mutual executive directors and members of the wider Executive team (including those employed on a permanent or temporary basis) and ensure that they are consistent with Police Mutual's risk-taking (appetite) policy and take into account remuneration trends across the Group and; oversee major changes in employee benefits and the design and targets for any Group-wide performance related pay schemes.
- 1.2 The remuneration of the Chair of the Committee of Management, the Chair of the Managing Board and the non-executive directors shall be a matter for the Executive members of the Managing Board with final approval of the decision given by Police Mutual's President.

2.0 Composition

- 2.1 The members of the Committee shall be appointed by the Managing Board. Membership of the Committee shall consist of three members, all of whom should be independent non-executive directors. For the purposes of increased transparency in relation to remuneration matters, one of the independent non-executive directors should be a Police member of the Committee of Management.
- 2.2 The Managing Board will appoint one of the non-executive members to chair the Committee. The Chair of the Committee should not be the Chair of the Committee of Management or Managing Board.
- 2.3 In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.
- 2.4 The Company Secretary or his/her nominee shall be the Secretary of the Committee.
- 2.5 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, HR representatives and external advisers may attend meetings at the invitation of the Chair of the Committee as and when appropriate.
- 2.6 No attendee at any meeting shall participate in any decision on his/her own remuneration.
- 2.7 Attendees are not members of the Committee and they may be collectively or individually requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.
- 2.8 The Chair of the Committee is responsible, supported by the Company Secretary, for agreeing and setting agenda items and for challenging the level of detail and format of Committee submissions. Matters reported should be summarised in a way which allows the Committee members to understand any key issues.

3.0 Meetings

3.1 Quorum

- 3.1.1 The quorum necessary for the transaction of business shall be two members present in person or in communication with each other by telephone or video conference. 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. To count in the quorum a person who is in communication with the others by telephone or video conference must be able to hear fully, and participate in, the proceedings.
- 3.1.2 Questions arising at a meeting of the Committee will be decided by a majority of votes and (in the event of a tie) the Chair of the meeting will have a second or casting vote unless the issue is

material in which case it should be escalated to the Managing Board for a decision in line with the escalation requirements in section 5.0 of these terms of reference.

3.2 **Frequency**

3.2.1 The Committee will meet formally twice a year. Additional ad hoc/event-driven meetings may be convened by the Company Secretary at the request of any member of the Committee or by the Company Secretary.

3.2.2 Outside of formal meetings, the Committee Chair will work and liaise as necessary with key individuals involved in the Police Mutual Group's governance, including the Chair of the Managing Board, the Chair of the Risk Committee and Chief Executive as they consider it necessary.

3.3 **Notice**

3.3.1 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 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.

3.3.2 Ad hoc meetings to deal with unexpected or unusual events may be called at short notice. However no acts of any meeting of the Committee shall be invalid merely because less than five days' notice of any meeting was given.

3.3.3 It shall not be necessary to give notice of a meeting of the Committee to a Committee member who is absent from the United Kingdom.

3.4 **Minutes**

3.4.1 The Company Secretary shall keep appropriate records of all meetings with appropriate minutes of the proceedings and resolutions so as to provide evidence that the Committee is discharging its responsibilities.

3.4.2 Committee minutes are to be circulated by the Company Secretary to all members of the Committee. Given the confidential nature of the minutes, a summary of the Committee's proceedings will be provided by the Chair of the Committee to the Managing Board in lieu of the minutes.

3.5 **Decisions made outside of meetings**

3.5.1 The Committee may reach decisions outside of meetings in writing (invariably by email) at the discretion of the Chair of the Committee, taking into account the materiality and timeliness of the decision required and provided all members of the Committee respond to confirm their approval of the decision. In exercising this authority the Chair must balance the need for urgency with the overriding principle that each Committee member has a right to participate in the decision and has responsibility for the outcome, should be given as much information as possible, the time to consider it properly and an opportunity to discuss the matter prior to the conclusion of a decision.

3.5.2 It shall not be necessary to receive a response for a decision made in writing from a Committee member who is absent from the United Kingdom at the time the decision is concluded through the responses of all other Committee members.

3.5.3 The decision will be valid and effectual as if it had been approved at a meeting of the Committee that had been duly convened and held, on the basis that all those entitled to participate in the decision and responsible for the outcome have had the opportunity to consider the matter and confirm their position.

3.5.4 Unless the Chair of the Committee exercises their discretion otherwise, due to time being of the essence, decisions made outside of meetings should be put to members of the Committee with at least 5 clear working days' notice to respond.

3.6 Record keeping

- 3.6.1 Records of all Committee meetings including but not limited to Committee packs and minutes will be kept at Alexandra House, Lichfield in hard and soft copy and maintained by the Company Secretary.
- 3.6.2 A copy of any decisions made outside meetings in writing, any supporting documentation provided and all Committee member responses will be presented to the next formal meeting of the Committee following the decision and noted in the minutes of that meeting as a formal record of the decision.
- 3.6.3 All Committee records will be retained in perpetuity.

3.7 Maintaining Terms of Reference

- 3.7.1 These terms of reference are reviewed on an annual basis and at any time a change is identified as required. The Committee is responsible for this periodic review and submitting any recommended changes to the Managing Board for approval. The Managing Board or Company Secretary may also recommend changes to the terms of reference at any time.
- 3.7.2 No changes to the terms of reference may be submitted for approval to the Managing Board without the prior consideration of the Company Secretary in order that any implications for the Delegated Authority Matrix can be assessed and no amendments are made to the standardised aspects of the terms of reference that apply to all sub-committees without the Company Secretary's approval. The Company Secretary is responsible for executing the required changes and presenting the updated version to the Committee for review and to the Managing Board for approval.
- 3.7.3 The Company Secretary will maintain records of each approved version of the terms of reference for a period of 10 years in line with regulatory requirements for the retention of Responsibilities Map records.

3.8 Effectiveness & Training

- 3.8.1 The Committee shall arrange for periodic reviews of its own effectiveness and recommend any changes it considers necessary to the Managing Board.
- 3.8.2 The Chair of the Committee is responsible for ensuring Committee members are provided with appropriate and timely training, both in the form of induction arrangements for new Committee members and an ongoing basis for all members.

3.9 Conflicts of Interest

- 3.9.1 Each member of the Committee should consider whether they have any conflicts of interest prior to participating in meetings of the Committee and making decisions regarding the business of the Police Mutual Group. In the event an actual or potential conflict of interest exists the Committee member should discuss the matter with the Committee Chair, if and how the conflict should be managed or mitigated, confirm the conclusion of that discussion at the affected meeting and report the conflict to the Chief Risk Officer in order that it can be recorded in the Conflicts of Interest register.

4.0 Duties

- 4.1.1 The following duties are allocated to the Committee within which it will consider any matters that it determines as being appropriate. The Committee is concerned with the conduct of the business of the whole Police Mutual Group and its authority extends to all relevant matters relating to any activity in the Police Mutual Group.
- 4.1.2 Have responsibility for setting the remuneration policy for executive directors on the Managing Board together with the wider Executive team, including pension arrangements and any compensation payments.

- 4.1.3 Recommend and monitor the level and structure of remuneration for senior management, the definition of which should be determined by the Managing Board and is defined as including the wider executive team given the small size of the organisation relative to the listed firms the Governance Code requirements were drafted for.
- 4.1.4 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate the executive directors and wider Executive team of the quality required to run the company successfully without paying more than is necessary, having regard to the views of members and other stakeholders. The remuneration policy should have regard to the risk appetite of Police Mutual and alignment to Police Mutual's long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Police Mutual Group.
- 4.1.5 When setting remuneration policy for executive directors and wider Executive team, review and have regard to pay and employment conditions across the Group, especially when determining annual salary increases.
- 4.1.6 Review the ongoing appropriateness and relevance of the remuneration policy.
- 4.1.7 Within the terms of the agreed policy, and in consultation with the Chairs of the Managing Board and Committee of Management or Chief Executive as appropriate, determine the total individual remuneration package of each executive director and wider Executive team member including bonuses, incentive payments and other benefits.
- 4.1.8 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 Police Mutual but within any budgetary restraints imposed by the Managing Board.
- 4.1.9 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 4.1.10 Approve the design of, and determine targets for, any performance related pay schemes operated for the executive directors and wider Executive team and approve the total annual payments made under such schemes and consider the risks to the business that such schemes and targets may give rise to.
- 4.1.11 Seek approval from delegates at the AGM for any long term performance related pay schemes as required under the UK Corporate Governance Code/Remuneration Regulations.
- 4.1.12 Determine the policy for, and scope of, pension arrangements for each executive director and wider Executive team.
- 4.1.13 Determine the policy for, and scope of, terms of service or employment contracts generally for each executive director and wider Executive team.
- 4.1.14 Ensure that the contractual terms on termination, and any payments made (including pension contributions), are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised. In determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code, Remuneration Regulations and FCA/PRA regulations.
- 4.1.15 Agree the policy for authorising claims for expenses from the executive directors and wider Executive team.
- 4.1.16 Oversee any major changes in employee benefit structures in the Police Mutual Group.

- 4.1.17 Approve the design of, and determine targets for Group-wide performance-related pay schemes operated by Police Mutual and approve the total annual payments made under such schemes and ensure appropriate alignment with Police Mutual's risk appetite policy such that it encourages appropriate behaviours and sustainable, long term decisions.

5.0 Reporting and Escalation

5.1 Reporting

- 5.1.1 The Remuneration Committee receives various reports throughout the year although regular reporting includes:
- Remuneration and performance reviews and recommendations
 - Executive Bonus Scheme payment recommendations
 - Updates on remuneration practices across the Group
 - Bonus scheme recommendations for all Group wide bonus schemes
 - Remuneration Policy Reviews
- 5.1.2 In addition, the Remuneration Committee receives ad hoc and event driven reports on key changes and developments as they relate to remuneration of the executive directors and wider Executive team and the Executive Remuneration Policy.
- 5.1.3 The Chair of the Committee shall report its proceedings to the Managing Board and attend Committee of Management and general meetings of Police Mutual Assurance Society Limited prepared to respond to any questions on the Committee's activities.
- 5.1.4 The Committee shall make whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.
- 5.1.5 The Committee shall produce an annual report of Police Mutual's remuneration policy and practices (the Directors' Remuneration Report) and ensure each year that it is put to delegates for approval at the AGM. In doing so, it shall ensure that all provisions regarding disclosure of information, including pensions, are fulfilled. If the Committee has appointed remuneration consultants, the annual report of remuneration policy should identify such consultants and state whether they have any other connection with the Police Mutual Group.

5.2 Escalation

- 5.2.1 The Committee will escalate to the Managing Board any decision or action required which is in excess of authority limits allocated to it and any other issue which the Committee deems material and or escalation is required in order for the Managing Board and the Committee of Management to effectively exercise their duties.

6.0 Authority

- 6.1 The Committee is authorised by the Managing Board, when the fulfilment of its duties requires and at Police Mutual Group's expense, to obtain independent legal or professional advice and secure the attendance of external advisers at its meetings on any matters within its terms of reference. The Committee shall have full authority to commission any reports or surveys which it reasonably deems necessary to help it fulfil its obligations.
- 6.2 The Committee is authorised to seek any information it requires from any employee of the Police Mutual Group in order to perform its duties.
- 6.3 The Committee is authorised to call any officer or employee to be questioned at a meeting of the Committee.
- 6.4 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.

6.5 The delegations set out in the duties of the Committee and the duties allocated to other sub-committees are also set out in the Delegated Authority Matrix which provides an aggregated picture of the delegation of authority to all corporate committees and the individuals to which those committees have in turn delegated specific responsibilities.