

REMUNERATION COMMITTEE MEETING

TERMS OF REFERENCE

Terms of Reference of the Remuneration Committee

The Co-operatives UK Corporate Governance Code for Consumer Co-operative Societies (the “Code”) states that the “board should establish a remuneration committee.”

This guidance note explains the role and the authority delegated to the remuneration committee (the “committee”) by the board. It should be made available to the members of the co-operative by placing it on a website maintained by or on behalf of the co-operative and upon request. Therefore, it is essential that the remuneration committee is properly constituted with a clear remit and identified authority.

In co-operatives, directors do not receive a remuneration package, but often receive a board fee. The fee level should be considered by the committee, which is then recommended to the board and then the members for their approval. The fees of any professional external directors should also be considered in the same way by the committee.

The other objective of the remuneration committee is to ensure that the co-operative goes through a formal process of considering management executive remuneration. As with most aspects of corporate governance a co-operative must be seen to be doing this in a fair and thorough manner.

The co-operative may develop a Remuneration Policy. The objective of such a policy shall be to attract, retain and motivate a management executive of the quality required to run the co-operative successfully without remuneration being excessive, having regard to the views of members and other stakeholders. The remuneration policy should have regard to the size, complexity turnover and risk appetite of the co-operative and alignment of the co-operative’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 co-operative.

A Membership of the Remuneration Committee

1. Members of the committee shall be appointed by and from the board. The committee shall be made up of at least 5 board members and shall consist of not less than 50% of the total number of board members unless the

membership of the board falls below 10, when the committee shall be made up of not less than 50% of the total number of board members.

2. A director who is also:
 - a. a current employee of the Society
 - b. a superannuated employee who has retired from the business in the last three years
 - c. a consultant of, or someone who has a paid contract with, (other than as a director) the Society shall not sit on the committee.
3. Only members of the committee, and the secretary (or the person nominated to service the committee), have the right to attend committee meetings. However, other individuals such as the chief executive officer, the head of people and performance, the chief finance officer and external advisors may be invited to attend for all or part of any meeting as and when appropriate and necessary.⁴
4. Appointments to the committee should be for a period of up to three years, which may be extended for two further three-year periods, provided that the director still meets the criteria for membership of the committee. Committee appointments are by the board and can be terminated at any time by board resolution.
5. The board shall appoint the committee chair. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board. The President should not be chair of the committee.

B Secretary

1. The secretary, or their nominee, shall act as the secretary of the committee and will ensure that the committee receive information and papers in a timely manner to enable full and proper consideration to be given to the issues.

C Quorum

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.

D Meetings

1. The committee shall meet at least three times a year, once preferably close to the financial year-end, and at such other times as the chair of the committee shall require. One of the meetings could at the discretion of the committee be a training session.

E Notice of Meetings

1. Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members.
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 directors, no later than 5 days before the date of the meeting.
3. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

F Minutes of Meetings

1. The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those in attendance.
2. Draft minutes of committee meetings shall be circulated promptly to all members of the committee and the chair of the board.
3. Once approved, minutes should be circulated to all other members of the board unless, in the opinion of the committee chair, it would be inappropriate to do so.

G The Annual General Meeting

1. The chair of the committee, or a nominated deputy, shall attend the Lincoln Annual General Meeting and be prepared to respond to any member questions on the committee's activities.

H Duties

1. The committee shall carry out the duties below, for the co-operative and any subsidiaries it may have:
 - a) Obtain reliable, up to date information about remuneration in other businesses of comparable scale and complexity. To help it fulfil its obligations the committee should 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 Society but within any budgetary restraints imposed by the board.
 - b) When proposing remuneration policy for directors and executives, review and have regard to pay and employment conditions across the Society, especially

when determining salary increases.

- c) Determine and agree with the board a policy for the remuneration, including pension rights, bonuses, performance related pay schemes and any compensation payments, of the Society's chief executive, the secretary and such other members of the senior leadership team as it is designated to consider.
- d) Determine and agree with the board a policy for compensation for loss of the Society's chief executive, the secretary and such other members of the senior leadership team as it is designated to consider.
- e) Determine and recommend to the board a policy for compensation for loss of office of directors which can be put to the members for approval...
- f) Monitor the level and structure of remuneration for the senior leadership team.
- g) Make recommendations to take to the board (for approval by the members) with regard to the remuneration of appointed directors and the fees of elected directors. No director or member of the senior leadership team shall be involved in any decisions as to their own remuneration.
- h) Take into account all factors which it deems necessary including relevant legal and regulatory requirements and associated guidance.
- i) Review the ongoing appropriateness and relevance of the remuneration policy and ensure that remuneration and incentive packages for the Chief Executive, Secretary and senior leadership team are related to relevant performance objectives including profit or trading surpluses and not simply to turnover.
- j) Within the terms of the agreed policy determine and agree with the board the total individual remuneration packages of the chief executive and secretary including bonuses and incentive payments. .
- k) 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.
- l) In consultation with the chief executive (and following receipt of a written report) monitor the total individual remuneration packages of each member of the senior leadership team including bonuses and incentive payments.
- m) In determining such packages and arrangements, give due regard to any relevant legal requirements.
- n) Review and note annually the remuneration trends across the Society.
- o) Oversee any significant changes in employee benefits structures throughout the Society.
- p) Agree the policy for authorising claims for expenses from the chief executive secretary senior leadership team and directors.
- q) 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 and comparative businesses. The committee shall have full authority to commission any reports or surveys which it deems

- necessary to help it fulfil its obligations.
- r) Work and liaise as necessary with other board committees.

I Reporting Responsibilities

1. The committee chair shall report formally to the board on its proceedings after each meeting on all matters within the committee's duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities.
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.
3. The committee shall produce a report of the Society's remuneration policy and practices which will form part of the Society's annual report and ensure that each year it is put to members for and advisory vote at the AGM.

J Other

1. The committee shall:
 - a) Have access to sufficient resources in order to carry out its duties including access to the secretary for assistance as required.
 - b) Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
 - c) Give due consideration to the Code and the provisions of the UK Corporate Governance Code.
 - d) Work and liaise as necessary with all other board committees; and
 - e) Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

K Authority

1. The committee is authorised to:
 - a) Seek any information it requires from any employee of the co-operative, via the secretary, in order to perform its duties.
 - b) Obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.
 - c) Call any employee to be questioned at a meeting of the committee as and when required.