

REMUNERATION COMMITTEE MEETING

TERMS OF REFERENCE

Terms of Reference of the Remuneration Committee

The Co-operative Corporate Governance Code published in 2019 (the “Code”) states that remuneration policies and practices should be formal and transparent and should ensure that any remuneration is sufficient to recognise the input and effort of directors (and members of the executive leadership if applicable) of the appropriate calibre and should be aligned to the purpose and values of the co-operative and successful delivery of its strategy and that the board should establish a remuneration committee.

These Terms of Reference outline the role and the authority delegated to the remuneration committee (the “committee”) by the board. It is made available to the members of the Society on the Lincolnshire Co-operative website – www.lincolnshire.coop

The fee paid to Society directors is considered by the committee, which is then recommended to the board and then the members for their approval. Such fees should align to industry best practice.

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 more than 50% of the total number of directors.
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 five 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. 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 on the recommendation of the Search Committee 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

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

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

D Meetings

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

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. In addition the chair should seek engagement with members on significant matters related to the committee's areas of responsibility

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) Have delegated responsibility for determining the policy for directors' remuneration and setting remuneration for the Chief Executive and the Group Secretary in accordance with the Principles and Provisions of the Code.
 - c) Design remuneration policies and practices to support strategy and promote long term sustainable success, with executive remuneration aligned to the Society's purpose and values, clearly linked to the successful delivery of the Society's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or bonus payments under appropriate specified circumstances.
 - d) When determining executive remuneration policy and practices, consider the Code requirements for equity, transparency and alignment to the ICA Values and Principles.
 - e) No director or senior manager shall be involved in any decisions as to their own remuneration outcome. The members are to determine the remuneration of the directors in accordance with the Society's rules.
 - f) In determining remuneration policy, take into account all other 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 executive management of the quality required to run the Society successfully without paying more than is necessary, having regard to views of members and other stakeholders.
 - g) Review the ongoing appropriateness and relevance of the remuneration policy.
 - h) Within the terms of the agreed policy and in consultation with the chair determine the total individual remuneration package of the CEO and Group Secretary including bonuses and incentive payments. The choice of financial,

non-financial and strategic measures is important as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of Society and individual performance, and wider circumstances.

- i) Review workforce remuneration and related policies.
- j) Work and liaise as necessary with other board committees, ensuring the interaction between committees and with the board is reviewed regularly.
- k) Determine and agree with the board a policy for compensation for loss of office for directors, the CEO, the secretary and such other members of the senior leadership team as it is designated to consider.
- l) In consultation with the CEO (and following receipt of a written report submitted to the committee at least every six months) monitor the total individual remuneration packages, objectives and performance of each member of the senior leadership team including benefits, bonuses and incentive payments.
- n) Agree the policy for authorising claims for expenses from the CEO, secretary, senior leadership team and directors.
- o) Ensure plans are in place for orderly succession to senior management positions and oversee the development of a diverse pipeline for succession taking into account the challenges and opportunities facing the Society and the skills and expertise needed in the future.
- p) Keep under review the leadership needs of the organisation with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

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.
4. The committee shall also ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Code are fulfilled.
5. If the committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors

6. The committee shall make a statement in the annual report about its activities, the process used to make appointments to the senior leadership team and explain if external advice or open advertising has been used.

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 all relevant laws and regulations the Code and the provisions of the UK Corporate Governance Code.
 - d) 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.

Meeting Agendas

Meeting 1- June (at/before start of spring seminar)

- Training:- to include up to date information about remuneration in other businesses of COMPARABLE SCALE and COMPLEXITY including, but not only other consumer co-operative societies. To provide part of the induction programme for new members and on an ongoing basis for existing members, to include changes in national remuneration policy and guidance (including objectives set) and a review of the current Society remuneration policy including colleague pay.
- Review the terms and conditions of both the CEO and Secretary, including loss of office.
- Agree a draft remuneration policy for CEO and Secretary that promotes long term sustainable success aligned to the Society's Purpose and Approach taking into account the Code and ICA values of equity and transparency whilst ensuring the Society is able to attract, retain and motivate executive management.
- (1st year only) Agree a draft set of objectives that may be used to measure potential CEO and Secretary bonuses.
- (subsequent years) Review the success and appropriateness of the previous year's measures and agree a new set for the next financial year.

Meeting 2- late August.

- Approve the draft remuneration policy, agreed under C meeting 1, for recommendation to the Board and inclusion in the annual report and accounts.
- Receive final update from both the CEO and Secretary as to their respective completion of objectives set, taking into account personal/professional challenges.
- Set new or continuation of current objectives for the new financial year.

Notes:

The committee should not necessarily penalise executives for non-completion of objectives as not only may there be personal/professional challenges involved but the initial objective may be iterative itself in nature and may require further work and present further opportunities.

Meeting 3 - Late November

- Taking into account all the information/updates received from the March, June, September meetings and including the November meeting from the previous year plus the financial results and current colleague pay levels and bonus, approve the annual bonus for the CEO and Secretary.
- Review Director remuneration for recommendation to the Board and next year's half-year meeting.
- Review Director compensation for loss of office.
- Review Other Policies. E.g expenses
- Review Society talent matrices, including names, positions and training plans for current colleagues to achieve their potential. Review succession planning for senior management positions and the leadership needs of the organisation.
- Receive a written update (in advance of meeting) giving details of current SLT salaries and outlining any planned changes, having regard to market forces around their relative positions, and first thoughts on potential bonuses and current position of objectives set.

Meeting 4- Early/Mid March

- Receive initial update from the CEO and Secretary against their own objectives including financials where appropriate.
- Receive a written report (before the meeting) on individual remuneration packages, objectives and performance of each member of the SLT including benefits, bonuses and/or incentive payments.
- Agree half-yearly bonus for CEO, Secretary.
- Review the committee's performance throughout the year and recommend any changes it considers necessary to the Board for approval.

Notes:

In addition any other changes to SLT salaries should be reported to the committee as they occur through the year, if possible before the award to give oversight and scrutiny.