

## **NAAFI**

### **Terms of Reference for the Remuneration Committee**

#### **1. Constitution**

- 1.1 The Remuneration Committee is a standing committee of the NAAFI Board of Management constituted to set the overall management remuneration policy for NAAFI, and to set the level of such remuneration for senior executives other than in relation to Executive Directors where it is to make recommendations to Council for the individual remuneration arrangements.
- 1.2 The terms of reference for the Committee outlined below are defined by the Board and may be amended by the Board at any time.

#### **2. Membership**

- 2.1 The Committee shall be appointed by the Board on the recommendation of the Nominations Committee and in consultation with the Chair of the Remuneration Committee.
- 2.2 The Committee shall be comprised of not less than three members, all of whom shall be independent Non-Executive Directors.
- 2.3 The Board shall appoint the Chair of the Committee, after recommendation from the Nominations Committee.
- 2.4. The Committee shall appoint a Secretary to the Committee who may, or may not, be a member of the Committee.
- 2.5. Only the members of the Committee have the right to attend meetings; other persons may attend at the Committee's request. The NAAFI Chair, Chief Executive and the Executive Director responsible for HR will normally be invited to attend meetings except when issues over their own remuneration are discussed.

#### **3. Quorum**

The presence of two non-executive Directors shall constitute a quorum of the Committee. In the absence of the Chair, the members of the Committee present shall appoint a Chair for the meeting.

#### **4. Authority and Frequency of Meetings**

- 4.1 The Committee is authorised by the Board to investigate any matter within its terms of reference. It is authorised to seek any information it requires from any employee or other person in order to perform its duties. All employees are directed to co-operate with any requests made by the Committee.
- 4.2 The remuneration of the non-executive Directors shall be a matter for the Company Chair and the executive members of the Board to recommend to the President of the NAAFI Council.

- 4.3 The Remuneration Committee is authorised by the Board to obtain legal, remuneration and other professional advice from both inside and outside NAAFI as and when required and to appoint and secure the attendance of external consultants and advisors whenever necessary.
- 4.4 Meetings shall be held at least twice each year. Meetings will normally be held in April/May for the purpose of setting remuneration arrangements for the year and in July/ August for the approval of bonuses, if any, for the previous financial year and at any other time should the Chair of the Committee require it.

## 5. **Notice of Meetings**

- 5.1 Meetings of the Committee shall be summoned by the Secretary at the request of any of its members.
- 5.2 Unless otherwise agreed, each member will be provided with notice of the meeting confirming the time, date and venue for the meeting along with the meeting agenda, no later than 5 working days before the date of the meeting. Any relevant papers will be sent to the Committee members and any other attendees where appropriate, at the same time.

## 6. **Minutes of Meetings**

- 6.1 The proceedings of all Committee meetings will be minuted, specifying the names of those in attendance.
- 6.2 The minutes of each meeting will be circulated promptly to each member of the Committee and, once agreed, to all members of the Board (with the exception of those circumstances where a conflict of interest exists or the Chairman so directs).

## 7. **Annual General Meeting**

The Chair of the Committee shall attend the Annual General Meeting of the NAAFI Council to respond to any questions which Council members may raise on the Committee's activities.

## 8. **Duties**

The Committee will:

- 8.1 Establish the broad policy that determines all elements of the remuneration of the NAAFI Chair, the Chief Executive, the executive Directors and any other senior managers that the Board designates the Committee to consider.
- 8.2 Determine the total individual remuneration package of the executive Directors, including basic salary, bonuses, and other benefits within the framework of the agreed remuneration policy and taking into account the recommendations of the Chief Executive.

- 8.3 Recommend the remuneration and terms of employment of prospective executive Directors and the terms of service of existing Directors.
- 8.4 Approve the design of and determine the targets for any performance-related pay schemes operated by NAAFI. Consider the eligibility of Directors for annual bonuses and benefits and approve the total annual payments under these schemes.
- 8.5 Obtain the approval of the President of the NAAFI Council for any changes to the remuneration of the Company Chair and Chief Executive, and similarly on new appointments to these positions.
- 8.6 Determine the policy for the pension arrangements of executives.
- 8.7 Ensure that the contractual terms on termination and the payments made are fair to both the individual and to NAAFI, ensuring that failure is not rewarded.  
Any package should be within those legal requirements, provisions and recommendations of The Combined Code.
- 8.8 Ensure that reliable and up-to-date information about remuneration trends in other companies and organisations is obtained and made available to the Committee.
- 8.9 Where remuneration consultants are appointed a statement should be made available which details any other involvements that they have with NAAFI in other capacities.
- 8.10 Review the annual trends in remuneration across NAAFI, overseeing any major changes in the benefit structure.
- 8.11 Agree the policy for authorising expense claims from the Chair and Chief Executive.
- 8.12. Ensure that full details of remuneration packages and structures, including those required by law, are disclosed.

## 9. **Reporting Procedures**

- 9.1 The Committee Chair will report to the Board after each Committee meeting on all matters that have been discussed which are within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area that is within its remit.
- 9.3 A report of NAAFI's remuneration policy and practices will be produced and included within the NAAFI Annual Report.
- 9.4 Membership of the Committee and attendance shall be noted in the Annual Report.

10. **Committee Performance**

The Committee will review its own performance, constitution and terms of reference annually in order to ensure that it is operating as effectively as possible. It should recommend any changes that it deems to be necessary to the Board for approval.