

WESLEYAN

Terms of Reference Remuneration Committee

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Wesleyan Assurance Society

Remuneration Committee

Terms of Reference

Corporate Governance

1. The Committee is a sub-committee of the Board.

Membership

2. Members of the Committee shall be appointed by the Board on the recommendation of the Society's Nominations Committee, and shall be made up of three independent Non-Executive Directors of the Society.
3. The Chief Executive of the Society will attend all discussions of the Committee except those concerning his own remuneration.
4. Only members of the Committee have the right to attend Committee meetings. However, other Board members, staff and external advisers may be invited to attend for all or part of any meeting, as and when appropriate, and may be co-opted on to the Committee for a particular meeting, with the approval of the Chair of the Committee.
5. The Board shall appoint the Committee Chair who should not be the Chair of the Board and who should have served on a remuneration committee for at least 12 months prior to becoming Chair. In the absence of the Committee Chair, the remaining members shall elect one of their number to chair the meeting. The Chair shall not remain in post beyond 9 years, unless it is for the purposes of succession planning.

Secretary

6. The Company Secretary or the Committee's nominee shall act as the Secretary of the Committee.
7. The Company Secretary shall provide the Committee with such advice as it needs on governance matters.

Quorum

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

Frequency of Meetings

9. The Committee shall meet at least once a year to review remuneration matters and at such other times as Committee members shall deem appropriate. Sufficient time should be allowed to enable the Committee to undertake a full discussion on matters as may be required.
10. Outside the formal meetings, the Committee Chair, and to a lesser extent, the other Committee members, will maintain a dialogue with key individuals involved in the Society's remuneration governance, other Committee Chairs, Society members and the appointed representative of the Partnership Council.

Notice of Meetings

11. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chair of the Committee.
12. 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 and any other person required to attend no later than 3 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.

In addition, a meeting can take place without all the participants being in the same room or physically meeting together. The meeting can take place by conference call or by means of other telecommunications or by electronic means as long as the participants can each communicate to the others any information or opinions they have on any particular item of the business of the meeting. The meeting will be deemed to have taken place where the largest number of participants is, or otherwise, where no participants physically meet together, the Chair can determine where the meeting has taken place.

As well as resolutions or decisions being made at meetings, the participants may also pass written resolutions, which will be as valid as a resolution or decision made at a meeting. A resolution is to be in writing and will be adopted when all the participants have signed one or more copies of it. They need not have returned their signed copies as long as they have confirmed (which may be by email) that they have approved the resolution and they will later be required to provide their signed written resolution to the Chair or the Secretary. Acceptance of the resolution is deemed to have been achieved when confirmatory responses (which may be by email) have been received from the majority of those participants in the meeting. It is immaterial whether any member signs the resolution before or after the time at which the notice of the proposed resolution or decision proposes that it should be adopted. Once a resolution has been made in this way it must be treated as a resolution or decision of that committee.

The Secretary is required to keep a record, in writing, of all such written resolutions for a period of at least 10 years from date such resolution is made.

Minutes of Meetings

13. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
14. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and then to other non-executive directors.

Annual General Meeting (AGM)

15. The Chair of the Committee shall attend the Society's AGM prepared to respond to any questions on the Committee's activities.
16. When a significant number of votes (over 10%) has been cast against the Annual Report on Remuneration, the Committee will agree actions to consult with its members on the reasons for this result. A report on this consultation will then be provided to members.

Duties

17. The Board delegates to the Remuneration Committee authority to determine Board remuneration on the following terms:
 - a) the Committee will be responsible for determining the policy for Executive Director remuneration and setting remuneration for the Society Chair, Board Executive Directors and Executives of the Society, in consultation with the Group Chief Executive (who will not participate in decisions on his own remuneration);
 - b) the proposed remuneration of the Chair will be subject to the approval of the full Board;
 - c) the remuneration of the other Non-Executive Directors will be determined by the Chair of the Society and the Group Chief Executive, reflecting their time commitment and responsibilities; and
 - d) the performance ratings of all Executives of the Society below Board level will be determined by the Chief Executive, in consultation with executive colleagues and the Committee.
18. The Committee should set and approve Society-wide remuneration policies and frameworks taking into account all factors it deems necessary and in a manner to promote the long-term member interests and the Society's values. In setting these policies and frameworks, the Committee will pay due regard to their clarity, simplicity, link to risk appetite, predictability, proportionality and alignment with the Society's culture.
19. The Committee should be able, at the Society's expense and using its own selection criteria, to obtain outside reports from remuneration consultants, research and benchmarking reports as necessary to assist it in its deliberations. Information on the remuneration across the whole Society will be made available to the Committee for comparative purposes.
20. Remuneration terms determined by the Committee will cover total packages including, long term incentives, pension contribution rates, expenses, allowances, service contracts, notice periods and compensation for loss of office. So far as it is practicable, no Committee member should be concerned in deciding their own remuneration.
21. Propose and agree Executive Balanced Scorecard variable pay targets and rules.
22. Review gender pay gaps and progress with culture, inclusion and diversity matters.
23. Review bonus plans for Head Office, Wesleyan Financial Services (WFS), Investments and Bank.
24. Consider the annual pay award across the Society and review progression payments for employees.
25. Keep up to date and fully informed about strategic issues and commercial changes affecting the Society and the market in which it operates, including major changes in the Society's benefits structure.
26. The Board also delegates to the Remuneration Committee authority to exercise independent challenge and oversight over:

- a) the operation of the Society's remuneration policies and frameworks;
- b) the annual remuneration outturns of all Board and Executive² members, utilising comments from other Committee/Board¹ chairs, and advising the Chair of the Board accordingly;
- c) consideration of the use of discretionary bonus payments;
- d) the Society's remuneration disclosures in its annual report and accounts or any other remuneration disclosures as required by legislation;
- e) forecasting outturns for bonus plans for Executives, Head Office, Bank, Investments and WFS; and
- f) the application of malus and clawback to identified staff (i.e. material risk takers under the relevant legislation – Solvency II, CRD IV and UCITS V)

¹ Wesleyan Bank Limited, Wesleyan Unit Trust Managers Limited, Wesleyan Financial Services Limited

² All members of the Executive Bonus Scheme

Reporting Responsibilities

27. The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The oral report will describe the broad principles adopted by the Committee in their decisions but will not disclose figures (other than for the Chair, unless a specific request is agreed by the Board).
28. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
29. The Committee shall make a statement in the Society's annual report about its activities, including:
 - an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics;
 - reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
 - a description, with examples, of how the remuneration committee has addressed the factors in Provision 40 of the Corporate Code;
 - whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
 - what engagement has taken place with members and the impact this has had on remuneration policy and outcomes;
 - what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy;
 - to what extent discretion has been applied to remuneration outcomes and why; and
 - details of remuneration consultants used by the Committee and if the consultants had any connection with the Society.

Other

30. The Committee shall, at least once a year, review its own performance, constitution, schedule of annual activity and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval. In particular, it should assess the level of challenge and oversight provided by the Committee and whether relevant responsibilities under the Senior Manager and Certification Regime have been discharged effectively.

Authority

31. The Committee is authorised to seek any information or support it requires from any employee of the Society in order to perform its duties and for the Chair to meet his or her responsibility as a Senior Manager Function holder.
32. The Committee is authorised to obtain, at the Society's expense, any relevant training, outside legal or other professional advice on any matters within its terms of reference.

Version	Forum/Committee	Approval Date	Caveats	Next Review
1.1	Doug Bright	01/2017	No changes	05/2017
1.2	Doug Bright	03/2018	No Changes	03/2019

1.3	Remuneration Committee / Board	11/2018		11/2019
1.4	Remuneration Committee	11/2019	No material changes the document was fully updated in 2018	12/2019