

**Remuneration Committee  
Terms of Reference  
July 2020**



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*References to “the Committee” shall mean the Remuneration Committee.  
References to “the Board” shall mean the Board of Directors.  
Reference to “the Code” shall mean The UK Corporate Governance Code*

1. Membership

- 1.1 The Committee will comprise a minimum of three independent non-executive Directors. A quorum shall be 3 members. The Chair of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chair.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Human Resources Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3 The Board shall appoint the Committee Chair who shall be an independent nonexecutive Director, who should have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be Chair of the Committee.
- 1.4 Appointments to the Committee are made by the Board and shall be for such period as the Board determines, provided the Director still meets the criteria for membership of the Committee.

2. Secretary

- 2.1 The Company Secretary or his/her nominee shall be Secretary for the Committee and shall keep appropriate minutes of its proceedings and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration be given to the issues.

3. Meetings

- 3.1 The Committee shall meet at least twice a year and at such other times as the Chair of the Committee shall require.

4. Notice of Meetings

- 4.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.
- 4.2 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 and as relevant to any other person required to attend no later than 5

working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as deemed appropriate, at the same time.

5. Minutes of Meetings

- 5.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 5.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all other members of the Board, unless, exceptionally, it would be inappropriate to do so.

6. Annual General Meeting

- 6.1 The Chair of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

7. Duties

- 7.1 The Committee should carry out the duties below for the parent company, any major subsidiary undertaking and the group as a whole, as appropriate.

7.2 The Committee shall:

- 7.2.1 Determine and agree with the Board the policy for the remuneration of the Company's Chair, executive Directors and such other senior employees<sup>\*1</sup> as the Board may require;
- 7.2.2 In determining such policy, take into account all factors which it deems necessary. Those elements may include, but are not restricted to, the following:-
  - (a) basic salary, bonus arrangements (including setting performance targets and approval of bonus payments), all share option and incentive schemes, pension arrangements, life insurance, prolonged disability cover, medical insurance, company car policy, notice periods, employment contracts, any loan arrangements, termination payments and compensation awards.
  - (b) the objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance whilst managing risks accordingly, and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- 7.2.3 Design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to the Company's purpose and values, clearly linked to the successful delivery of the Company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate circumstances.

\*1 The definition of senior employees for this purpose includes the Executive Leadership Team and the Company Secretary.

- 7.2.4 In determining and setting remuneration and incentive packages, consider such factors as the performance of the Company, the labour markets in which the Company competes for staff, the risks to the Company arising from loss of key staff and the potential impact on Company and services, executive remuneration data from comparable companies, the prevailing rate of inflation and cost of living and shareholder/ Company interests.
- 7.2.5 Determine which comparable companies to review. The Committee is aware that it should use comparisons with caution to avoid increasing remuneration level without a corresponding improvement in performance;
- 7.2.6 When determining executive director remuneration policy and practices, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- 7.2.7 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, the FCA's Listing Rules and associated guidance. The objective of such policy shall be to attract, retain and motivate executive Directors and senior executives of the quality required to run the Company successfully without paying more than is necessary, having regard to the views of shareholders and other stakeholders;
- 7.2.8 Review the ongoing appropriateness and relevance of the remuneration policy;
- 7.2.9 Within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive, as appropriate, determine the total individual remuneration package of the Chair and each executive Director, and selected senior employees\*<sup>1</sup> including bonuses, incentive payments and share awards. 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 company and individual performance, and wider circumstances.
- 7.2.10 Determine the policy for, and scope of, pension arrangements for each executive Director and other senior executives;
- 7.2.11 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 7.2.12 Agree the policy for authorising claims for expenses from the Chief Executive and Chair;
- 7.2.13 Ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Code are fulfilled; and

7.2.14 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 companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations. However the committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants. The Code requires that any remuneration consultants used in this context are named in the Company's annual report.

7.2.15 Review workforce remuneration and related policies.

7.2.16 Work and liaise as necessary with other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly.

7.2.17 The remuneration of the non-executive Directors shall be considered by the executive Directors and, upon their recommendation, approved by the Board.

7.2.18 No Director or manager shall be involved in any decisions as to their own remuneration.

## 8. Reporting Responsibilities

8.1 The Committee Chair shall report to the Board after each meeting on the nature and content of that discussion, recommendations and action to be taken.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.

8.3 The Committee shall provide a description of its work in the annual report in line with the requirements of the Code.

## 9. Other

9.1 The Committee shall:

9.1.1 at least annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;

9.1.2 have sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

9.1.3 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; and

9.1.4 give due consideration to all relevant laws and regulations, the provisions of the Code and published guidelines or recommendations regarding the remuneration of company directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing, Prospectus Rules, Disclosure Guidance and Transparency Rules sourcebook, and any other applicable Rules, as appropriate.

10. Authority

10.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.

10.2 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.

11. Approval

11.1 This terms of reference was approved by the board of Jersey Electricity plc on 17 December 2020.