

Capability Scotland

Remuneration & Nominations Committee

Remit

1 Purpose

The purpose of the Committee is to oversee the effective governance, on behalf of the Board and have responsibility for:

- 1.1 Setting and reviewing the remuneration and terms and conditions of employment for all executive directors.
- 1.2 Recruiting and recommending for appointment any new Trustees to the Board and its Committees.

2 Membership

- 2.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Chair of the Board may also serve on the Committee. Members of the Committee shall be appointed by the Board.
- 2.2 Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chief Executive, Head of Human Resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 2.3 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as they remain members of the Board.
- 2.4 The Board shall appoint the Committee Chair who shall be a non-executive director. In the absence of the Committee Chair, 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 Chair of the Board shall not be Chair of the Remuneration & Nominations Committee.

3 Secretary

- 3.1 Unless otherwise decided by the Committee, the Governance & Executive Assistant, in the role of Clerk to the Board of Trustees, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

4 Quorum

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

5 Meeting Arrangements

- 5.1 The Committee shall meet at least annually and otherwise as required.
- 5.2 Meetings of the Committee shall be called by the Secretary at the request of the Committee Chair.
- 5.3 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 five 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.
- 5.4 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 5.5 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. 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.

6 Annual General Meeting

- 6.1 The Committee Chair should attend the Annual General Meeting to answer any questions on the Committee's activities.

7 Duties

The Committee shall:

Remuneration

- 7.1 Have responsibility for setting the remuneration and terms and conditions of employment for all executive directors, including pension entitlements and any compensation payments. No director shall be involved in any decisions relating to their own remuneration or terms and conditions of employment.
- 7.2 Recommend and monitor the level and structure of remuneration for executive directors.
- 7.3 Develop, approve and periodically review a Remuneration Policy for Executive Directors.
- 7.4 In determining such, take into account all factors which it deems necessary, including relevant legal and regulatory requirements and any associated guidance. The objective of such a policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully. The Remuneration Policy should have

regard to the risk appetite of the company and alignment to the company's long strategic term goals.

- 7.5 Within the terms of the agreed policy and in consultation with the Chair of the Board and/or Chief Executive, as appropriate, determine the total individual remuneration package of each executive director and any other designated senior executives.
- 7.6 Taking account of the annual cost of living increase for all other employees, consider and approve an annual cost of living increase for all executive directors.
- 7.7 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations, the Committee shall 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 company but within any budgetary restraints imposed by the Board.
- 7.8 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 7.9 Determine the scope of pension arrangements for each executive director.
- 7.10 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.
- 7.11 Oversee any major changes in employee benefits as they relate to Executive Directors.
- 7.12 Work and liaise as necessary with all other Board Committees.

Nominations

- 7.13 Regularly review the structure, size and composition (including the skills, knowledge, and experience) required of the Board compared to its current composition and make recommendations to the Board with regard to any changes.
- 7.14 Give full consideration to succession planning for Trustees and what skills and expertise are needed on the Board in the future taking into account all relevant equality and diversity issues.
- 7.15 Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- 7.16 In identifying suitable candidates, the Committee shall
 - use open advertising and/or recognised search organisations
 - consider candidates from a wide range of backgrounds
 - consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position

- use any other method deemed appropriate to identify potential Trustees.
- 7.17 Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to meet the needs of its customers.
- 7.18 Review periodically the time required from non-executive Board members. Performance evaluation should be used to assess whether the non-executive Board members are able to devote sufficient time to fulfil their duties.
- 7.19 Ensure that on appointment to the Board, non-executive members receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and any involvement outside Board meetings.
- 7.20 Formulate plans for succession for Board members and in particular for the key roles of Chair and Committee Chairs.
- 7.21 Review annually the membership of Committees of the Board, in consultation with each Chair of those Committees.
- 7.22 Consider any matters relating to the continuation in office of any Board member at any time and make recommendations to the Board as appropriate.

8 Reporting Responsibilities

- 8.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 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.

9 Other Matters

The Committee shall:

- 9.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 9.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 9.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of Directors and any other applicable rules, as appropriate.

9.4 Arrange for periodic reviews of its own performance and, review its constitution and remit at least every two years, to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary to the Board for approval.

10 Approval and Review of Committee Remit

10.1 This remit is effective after the approval of the Board.

10.2 Any material amendment to the remit must be approved by both the Committee and the Board. Non-material amendments may be approved by the Committee and provided to the Board for information.