

FINANCIAL SERVICES COMPENSATION SCHEME

TERMS OF REFERENCE

REMUNERATION AND HUMAN RESOURCES COMMITTEE

Membership

1. Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least three members, all of whom shall be independent non-executive directors and one of whom shall be appointed by the Board as the Committee Chairman. The Chairman of the Board may be a member of, but not chair, the Committee.
2. Only members of the Committee have the right to attend Committee meetings, although others may be invited to attend for all or part of any meeting as and when appropriate.

Duties

3. The Committee shall:

Human Resources

- (a) oversee the development, performance and use of human resources within FSCS;
- (b) assist the Executive in formulating a people strategy to support the organisation's vision and values;
- (c) review FSCS's succession planning process generally and provide relevant input to the Executive;
- (d) oversee medium-term organisational development;
- (e) contribute to and monitor the development of a desired culture for the organisation;
- (f) oversee diversity and inclusion;
- (g) monitor corporate responsibility;
- (h) oversee the setting out of appropriate standards of organisational performance over the medium-term and ensure that appropriate benchmarks and methodologies are used to support progress;

Organisation-wide remuneration

- (i) approve and, from time to time, review the company's high-level remuneration policy, having regard to the Executive's strategy for engaging FSCS people in the work of the organisation and the Executive's approach to the development of FSCS's people and to the balance of internal and external skills needed to deliver effectively FSCS's business model;
- (j) as part of (i) above, consider and advise the Board on the Executive's approach to the use of remuneration below executive level to recruit, retain and motivate FSCS's people and, specifically, to advise the Board on (i) the annual pay uplift to be built into the budget and business plan for the year ahead (ii) the size of the bonus pool as a proportion of the salary bill to recognise achievement in the previous year and (iii) proposals for major changes in employee benefit structures. Decisions about the pay and bonuses to be awarded to individuals below executive level will be taken by the Executive in conformity with remuneration policies agreed by the Committee;
- (k) review the Executive's approach to compensating FSCS people below the executive level for loss of employment to ensure a fair balance is struck between the interests of the people concerned and the levy payer;

Executive remuneration

- (l) approve and, from time to time, review the executive remuneration policy. No director shall be involved in any decisions about their own remuneration;
- (m) in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that executive directors are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company, whilst also ensuring that executive remuneration is appropriately competitive and in the best interests of the company and its stakeholders;
- (n) by reference to the executive remuneration policy, review and approve the design of any performance-related bonus scheme and pension arrangements for executive directors;

- (o) within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, approve (or, in the case of the Chief Executive's remuneration, make recommendations to the Board for the approval of) the total individual remuneration package of each executive director, including bonuses, pension rights and other benefits;
- (p) review the objectives set for the Chief Executive and other executive directors to ensure that they reflect FSCS's strategic objectives and provide a sound basis for assessing performance;
- (q) review the terms of any contract of employment of a newly-appointed executive director, and, by reference to the executive remuneration policy and in accordance with 3(o) above, approve the total individual remuneration package;
- (r) ensure that the contractual terms and any compensation payments to executive directors on termination are fair to the individual and the company, whilst also ensuring that failure is not rewarded;

Other

- (s) approve a policy for authorising claims for expenses from the Chief Executive and Chairman; and
- (t) be responsible for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee on matters falling within its remit.

Authority

4. The Committee is authorised by the Board to:
- (a) carry out its review and decision-making functions within its terms of reference;
 - (b) seek any information it requires from any employee of the company in order to perform its duties; and
 - (c) obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference.

Meetings

5. The Committee shall meet at least twice a year, and at other such

times as the Chairman of the Committee shall require, dates of meetings being notified by the Company Secretary as and when arranged.

6. The Company Secretary, or their nominee, shall act as the secretary of the Committee, and shall minute the proceedings and resolutions of all Committee meetings. Minutes of Committee meetings shall be circulated to Committee members for approval.
7. 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.
8. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.

Reporting Responsibilities

9. The Committee Chairman or their nominee shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities. Minutes of Committee meetings shall be circulated to all members of the Board, unless a conflict of interest exists.
10. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed.
11. The Committee shall ensure that an appropriate statement of its activities is made in the company's Annual Report.

Other

12. The Committee or the Board (as agreed from time to time) shall evaluate the performance of the Committee on an annual basis.
13. The Committee shall review and update its terms of reference from time to time and receive approval of changes from the Board.

(21 July 2015)