

## ERVIA

### REMUNERATION COMMITTEE

#### TERMS OF REFERENCE

##### **Section 1 - Membership**

The Committee (the “**Committee**”) shall be appointed by the Ervia Board (the “**Board**”) in consultation with the Chairperson of the Committee (the “**Chairperson**”) and shall consist of not less than three Ervia Board members.

While membership of the Committee shall be reviewed annually by the Chairperson and changes as required recommended to the Board, a member of the Committee shall ordinarily serve a period of three years from the date of appointment, which may be renewed for up to three years, to a maximum of six years in total. The general aim is to refresh the membership from time to time to ensure an appropriate balance between continuity and fresh perspective.

##### **1.1 - Chairperson**

The Chairperson shall be appointed by the Board. In the absence of the Chairperson at a Committee meeting, the remaining members present shall elect one of themselves to be chair the meeting. The Chairperson of the Board shall be the Chairperson of the Committee.

The Chairperson is responsible for ensuring that:-

- the Committee is appropriately resourced;
- reports to the Committee contain relevant information and are provided at the right time in an appropriate format;
- absent Committee members are briefed on meetings and attendance records are maintained and reviewed annually;
- regular verbal and written reports of the Committee’s proceedings are provided to the Board; and
- matters arising are reported on at each subsequent meeting.

Where the Chairperson calls upon members of the Committee to vote on any issue, decisions will be by way of simple majority. In the event of a split decision, the Chairperson may exercise a casting vote to determine the outcome.

##### **1.2 – Company Secretary**

The Ervia Company Secretary or his/her nominee, as agreed with the Chairperson, shall act as Secretary to the Committee (the “**Secretary**”) 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.

##### **1.3 - Training**

The Committee shall 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.

The Secretary will be responsible for ensuring that this training, as identified by the Committee members, is provided. The Chairperson and Committee members shall make recommendations to the Ervia Board on the Committee's and individual members' training needs.

## **Section 2 – Meetings**

### **2.1 - Quorum**

The quorum for any meeting of the Committee shall be three (3).

### **2.2 – Conflicts of Interest**

Committee members shall take personal responsibility to declare any potential conflict of interest arising in relation to any items on the agenda for Committee meetings.

A register of Committee members' interests shall be maintained by the Company Secretary. Where a conflict of interest arises, a Committee member shall bring this to the attention of the Chairperson and where necessary absent themselves from the meeting for the duration of the discussion and shall not take part in any decisions in relation to the matter in question. Similar arrangements apply in relation to relevant meeting documentation where such documentation is not made available to the Committee member. This shall be noted in the minutes of the Committee meeting.

### **2.3 - Attendance**

Only members of the Committee are entitled to attend and vote at Committee meetings.

The Committee Chairperson) may invite any Board Member, executive or other person to attend any meeting(s) of the Committee from time to time, as and when appropriate and necessary.

### **2.4 - Frequency**

Meetings shall be convened at the discretion of the Chairperson, but shall be held at least three times per annum. The Board or the Committee Members may request further meetings as they consider necessary.

### **2.5 Minutes**

The Secretary shall be responsible for recording the minutes of each meeting including the names of those present and in attendance. Draft minutes of meetings will be circulated to all Members in advance of their formal adoption by the Committee and their noting by the Board.

## **Section 3 - Authority**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information, including documentation, it requires from any employee or agent of Ervia (including its subsidiary companies) to enable it to discharge its responsibilities.

The Committee may obtain external legal or other independent professional advice (including external remuneration consultants where required) if considered necessary. It shall have access to adequate funding to enable it to discharge its duties. The Committee is authorised, subject to the approval of the Board, to co-opt additional members to provide specialist skills, knowledge and experience if considered necessary.

#### **Section 4 – Duties and responsibilities**

The Committee's main duties and responsibilities are:

##### **Chief Executive Remuneration**

- to consider and make recommendations to the Board on the remuneration and other terms and conditions of employment of the Group Chief Executive Officer and any changes thereto having regard to the obligation of the Board to implement relevant Government policy, the obligations of the Code of Practice for the Governance of State Bodies (“the Code”), an analysis of the organisation’s risk appetite and its long term strategic goals;
- implementation of any performance-related system in respect of the Group Chief Executive Officer including the examination of the Group Chief Executive Officer’s performance annually having regard to any relevant Government policy;

##### **Senior Management Remuneration**

- to consider and approve the remuneration and other terms and conditions of employment of direct reports to the Group Chief Executive Officer prior to appointment following consultation with the Group Chief Executive Officer;
- to consider the policy on determination of senior management remuneration (with the exception of the Group Chief Executive Officer) having regard to any legal and regulatory requirements and the obligations of the Code. The pay levels of senior management should be set by reference to pay levels of posts with similar levels of duties and responsibilities in comparable employments but should also take account of the approved salary of the Group Chief Executive Officer. The salary of senior management should be set at a level that allows sufficient headroom between the Group Chief Executive Officer and senior management.
- to approve any changes in global grading and the remuneration of direct reports to the Group Chief Executive Officer;

##### **Succession Planning & Leadership Development**

- to monitor succession planning of direct reports to the Group Chief Executive Officer;
- to monitor the development of current and future leaders of the organisation;

## **Company Pay Model**

- to review the ongoing appropriateness and relevance of the company's pay model and system of performance management;
- to approve the payment of performance related awards across the company annually;

## **Balanced Scorecards**

- to consider and make recommendations to the Board on the annual Balanced Scorecard process;

## **Pension**

- to consider and make recommendations to the Board on the company's overall pension strategy including funding strategy for the defined benefit schemes;
- to consider the investment strategy being proposed by the trustees of the defined benefit schemes;

## **Termination Payments of Senior Management**

- to review all termination agreements involving the Group Chief Executive Officer and other senior management, ensuring that contractual terms, and any payments made, are fair to the individual and the company;

## **Miscellaneous duties**

- to consider diversity and gender pay balance in all decisions of the committee;
- to approve minutes of Committee meetings;
- to work and liaise as necessary with all other Board committees; and

to perform any other duties or responsibilities expressly delegated to the Committee by the Board.

## **Section 5 - Reporting Procedures**

The Committee shall compile an annual report to the Board for inclusion in the Ervia Annual Report describing its membership and its duties and responsibilities.

Ervia management shall ensure that all information relevant to the discharge of its responsibilities is provided to the Committee (and as requested by the Committee). Management shall also ensure that matters of material concern that are relevant to the Committee's responsibilities are brought promptly to the attention of the Committee.

## **Section 6 - Review**

On an annual basis, the Committee will review the effectiveness of its operations and report to the Board on its findings and recommendations.

The Committee will also review these terms of reference at least annually and will make recommendations on updating or amending them to the Board as appropriate.

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