

The Veterinary Defence Society Limited

Remuneration Committee

Terms of Reference

For approval by the Board 31 July 2019

1 Membership

- 1.1 Membership of the Remuneration Committee (“the Committee”) shall be appointed by the Board in consultation with the Chairman of the Committee (“the Chairman”). The Board shall appoint the Chairman. The Committee shall be made up of three members, all of whom shall be independent Non-Executive Directors. The Chairman of the Board may not serve on the Committee.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other senior executives, board members and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3 The Chairman, who shall be an independent Non-Executive Director, shall be proposed by the independent Non-Executive Directors and elected by the Board. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 The remuneration of Non-Executive Directors shall be a matter for the Chairman of the Board and the Executive Directors. No director or employee shall be involved in any decision as to their own remuneration.

2 Secretary

The Company Secretary or their nominee shall act as Secretary to the Committee.

3 Quorum

The quorum necessary for the transaction of business shall be two, of whom one shall be the Chairman or an appointed deputy. 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.

4 Meetings

The Committee shall meet annually and at such other times as the Chairman shall require. Meetings may be held in person, over the telephone or by technology enabled conference.

The annual meeting shall normally be held on or around the September Board meeting.

5 Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Company Secretary at the request of the Chairman.
- 5.2 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, any other person required to attend and all other Non-Executive Directors, 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.
- 5.3 The Chief Executive shall have the right to address any meeting of the Committee; others may be called upon or shall be able to speak by prior arrangement with the Chairman.

6 Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interest exists.

7 Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any members' questions on the Committee's activities.

8 Duties

The Committee shall:

- 8.1 Determine and agree with the Board the policy for the remuneration of the Chairman of the Board, the Chief Executive, the Executive Directors, the Company Secretary, the Claims Consultants and any employee earning a total remuneration package of £85,000, inclusive of benefits, per annum, or above (“high earning employee”) (“the Remuneration Policy”). (For the avoidance of doubt, Claims Advisers who earn a total remuneration package of £85,000 shall be included within the remit of the Committee.) Provided that the Committee shall be provided with a report from the Chief Executive detailing employees or self-employed workers whose total remuneration packages on an annualised basis amount to £75,000 or above.
- 8.2 In determining the Society’s Remuneration Policy, the Committee shall ensure that, as a Solvency II firm, the Society complies with the remuneration requirements of Article 275 of the Solvency II Regulation and with the European Insurance and Occupational Pensions Authority (EIOPA) ‘Guidelines on systems of governance’ finalised on 14 September 2015 and any other related Solvency II regulation so far as it affects remuneration practices.
- 8.3 In determining such policy, the Committee shall take into account all factors which it deems necessary to ensure that members of the Executive Committee are encouraged to enhance the performance of the Society consistent with its status as a mutual and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Society,
 - 8.3.1 It shall also liaise with the Nominations Committee to ensure that the remuneration of newly appointed executives is aligned to the Society’s succession plans.
 - 8.3.2 Regularly review the feasibility of introducing performance related pay for employees within the remit of the Committee
- 8.4 Review the ongoing appropriateness and relevance of the Remuneration Policy.
- 8.5 Determine the policy for, and scope of, pension arrangements, service agreements, termination payments and compensation payments (if any) for each Executive Director, the Company Secretary, the Claims Consultants and any high earning employee.
- 8.6 Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Society, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

- 8.7 Within the terms of the Remuneration Policy and in consultation with the Chairman of the Board and/or Chief Executive as appropriate, determine the total individual remuneration package of each Executive Director, Chairman of the Board, Claims Consultant, Claims Advisers (who are within the remit of the Committee) , the Company Secretary and high earning employees.
- 8.8 Review and note annually the remuneration trends across the Society.
- 8.9 Oversee any major changes in employee benefits structures throughout the Society including pension scheme variations.
- 8.10 Ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.
- 8.11 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the Terms of Reference for any remunerations consultants who advise the Committee.
- 8.12 Obtain reliable, up to date information about remuneration in other companies.
- 8.13 The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

9 Reporting Responsibilities

- 9.1 The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 In particular, a report shall be made to the November meeting of the Board with respect to the recommendations for the following calendar year. The Chairman shall have consulted with the Chief Executive on a draft of the report prior to presentation.
- 9.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any areas within its remit where action or improvement is needed.

10 Other

The Committee shall, at least once a year, 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.

11 Authority

- 11.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Society in order to perform its duties, including details of responsibilities discharged by the Society's executives, job descriptions and financial information.
- 11.2 In connection with its duties, the Committee is authorised by the Board, at the Society's expense:
- 11.2.1 To obtain, via the Company Secretary, any outside legal or other professional advice
 - 11.2.2 Within any budgetary restraints imposed by the Board, to appoint remuneration consultants and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.

Cecilia M Gannon
General Counsel and Company Secretary
17 July 2019