

**TERMS OF REFERENCE
FOR THE
REMUNERATION COMMITTEE
OF THE PARTNERSHIP BOARD**

(approved by the Partnership Board on 21 November 2013)

- Membership** The Committee will be made up of at least four members including two Non-Executive Directors and two Elected Directors (recommended by all the Elected Directors).
- Appointments** Members of the Committee will be appointed and removed by the Board.
- Chairman of the Committee** The Chairman of the Committee will be an independent Non-Executive Director. In the absence of the Chairman of the Committee, the meetings will be chaired by a member appointed by the Chairman of the Committee, or failing that the remaining members present will elect one of themselves to chair the meeting.
- Secretary of the Committee** The Company Secretary or a nominee appointed by the Company Secretary will act as Secretary to the Committee.
- Quorum** The quorum necessary for the transaction of business will be two members, to include one Non-Executive Director and one Elected Director.
- In respect of paragraph 6 of these Terms of Reference, or otherwise to avoid conflict of interest, when approving the remuneration of Non-Executive Directors, the quorum necessary for the transaction of business will be two Elected Directors.
- A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- Authority** The Committee is authorised by the Board to:
- (a) investigate any activity within its terms of reference;
 - (b) seek any information it requires from any Partner (all such requests for information should be channelled through the Director of Personnel);
 - (c) obtain independent professional advice.

Meetings and Reporting

1. The Committee will meet at least twice a year, and at such other times as the Chairman of the Committee may require.
2. Only members of the Committee will have the right to attend Committee meetings. However, the Director of Personnel and the Partners' Counsellor will be invited to attend meetings on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

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3. The Committee will report its activities, observations and recommendations to the Board, normally through tabling its draft minutes at the next following Board meeting.
4. The Committee Chairman will convene a meeting upon the request of any Committee member who considers it necessary.
5. The Committee will review annually its terms of reference and its own effectiveness and recommend any necessary changes to the Board.

Responsibilities

6. The Committee is responsible:
 - (a) for ensuring that there is a formal and transparent procedure for developing policy on executive remuneration which is able to attract, retain and motivate executive management of the quality required to run the Partnership successfully without paying more than is necessary with reference to the market;
 - (b) for making recommendations to the Board in respect of the Chairman's remuneration and approve the remuneration packages of individual executive directors and senior managers who report to the Chairman as well as fixing the fees for non-executive directors.

Duties

The Committee will carry out the duties below. No member of the Committee, director or manager will be involved in any decisions as to their own remuneration.

Variations to the Partnership's Remuneration Policy to be applied to the Board

7. The Committee will review any proposals from the Director of Personnel in respect of variations to the Partnership's Remuneration Policy required specifically to be applied in respect of members of the Board and recommend to the Board such adjustments to the policy as are required to ensure the Partnership's approach to directors' remuneration is fit for purpose and consistent with the ethos of a co-owned business.

Remuneration of the Chairman

8. The Committee will make a recommendation to the Board on the Chairman's pay, based on appropriate market data supplied by the independent external remuneration consultant and when applicable having regard to Rule 63 of the Partnership's

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Constitution. This includes considering the total reward multiple with a view to ensuring that this remains within the provisions of Rule 63 by comparing average ranking pay (including overtime and premiums) for a non-management Partner with three years' or more service, plus a value for the defined benefit pension scheme on a buyout basis with the highest paid Partner's total reward, excluding Partnership Bonus.

9. In making its recommendation the Committee shall have regard to the performance appraisal of the Chairman, and the performance of the Partnership, as well as pay and employment conditions across the Partnership, and movements in Senior Managers pay at Partnership Level 1, especially when determining annual salary increases.

Rule 6

10. The Committee will monitor the continuing relevance or scope of Rule 63 and make such recommendations to the Board relating to the Rule as appropriate.

Remuneration of Executive Directors and Senior Managers reporting to the Chairman

11. The Committee will within the terms of the Partnership's Remuneration policy (and any variations to it to be applied to members of the Board and Senior Managers at Partnership Levels 2 - 3 agreed by the Board), determine each year the remuneration of the Executive Directors and Senior Managers at Partnership Levels 2 - 3 who directly report to the Chairman, having regard to the advice of the independent external remuneration consultant and the recommendations of the Chairman and Director of Personnel.

Remuneration of Non-Executive Directors

12. The Committee's Elected Directors shall determine the remuneration of the Non-Executive Directors and may co-opt to the Committee any of the Elected Directors of the Partnership Board for the purposes of approving the remuneration of Non-Executive Directors.

Payments on Termination

13. The Committee shall approve contractual terms and any payments on termination made to Executive Directors and Senior Managers at Partnership Levels 2 and 3 who report directly to the Chairman, ensuring that they are fair to the individual, and the Partnership, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

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Remuneration Consultants

14. The Committee will with the support of the Director of Personnel, establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee. The Committee will have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations. The Committee will ensure that it receives reliable, up-to-date information about remuneration in other companies of comparable scale and complexity and take account of this when considering and approving remuneration proposals.