

VDS Remuneration Committee Terms of Reference

16 July 2024

1. Introduction

These Terms of Reference for the Remuneration Committee address the principal purpose and responsibilities that the Committee must discharge. There are corresponding documents describing the principal duties of the Board, Executive Committee, Audit Committee, Risk and Compliance Committee, and Nomination Committee.

Committee members provide entrepreneurial leadership and are collectively responsible for the long-term success of the Veterinary Defence Society Limited.

2. Purpose

To determine and oversee the design and implementation of the Society's Remuneration Policy and associated remuneration practices in line with all relevant regulatory, legal, and governance requirements and in line with the Society's culture and values.

3. Duties

The Committee shall:

- 3.1 Determine and agree with the Board the policy for the remuneration of the Chair of the Board, the Chief Executive, the Executive Directors, the Company Secretary and any other Relevant Employees* defined in the Society's Remuneration Policy as approved by the Board.
- 3.2 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.
- 3.3 In determining such policy, the Committee shall consider 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. In doing so the Committee shall:
 - 3.3.1 Liaise with the Nominations Committee to ensure that the remuneration of newly appointed Relevant Employees* is aligned to the Society's succession plans.
 - 3.3.2 Regularly review the feasibility of introducing performance related pay for Relevant Employees*.
- 3.4 Review the ongoing appropriateness and relevance of the Remuneration Policy and make recommendations to the Board for any change.
- 3.5 Determine the policy for, and scope of pension arrangements, service agreements, termination payments and compensation payments (if any) for each Relevant Employee*.

- 3.6 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.
- 3.7 Within the terms of the Remuneration Policy and in consultation with the Chair of the Board and Chief Executive as appropriate, approve the total remuneration package of each Relevant Employee*.
- 3.8 Review and note annually the remuneration trends across the Society.
- 3.9 Oversee any major changes in colleague benefits structures throughout the Society including pension scheme variations.
- 3.10 Ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.
- 3.11 Be exclusively responsible for establishing the selection criteria, selecting, appointing, and setting the Terms of Reference for any remuneration consultants who advise the Committee.
- 3.12 Obtain reliable, up to date information about remuneration in other companies.
- 3.13 Have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

4. Membership

- 4.1 Membership of the Committee shall be appointed by the Board in consultation with the Chair of the Committee. The Committee shall be made up of at least three members. All members should be independent Non-Executive Directors.
- 4.2 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 all or part of any meeting as and when appropriate.
- 4.3 The Chair, 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 Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Chair

The Board shall appoint the Committee Chair who shall be a Non-Executive Director.

For a candidate to be appointed as chair of the committee, it is a requirement that they shall have served on a remuneration committee for at least twelve months.

5. Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee. All directors shall have access to the advice of the Company Secretary, who is responsible for advising the committee on all governance matters.

6. Quorum

The quorum necessary for the transaction of business shall be two, of whom one shall be the Chair 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.

7. Frequency of Meetings

The Committee shall meet annually and at such other times as the Chair shall require. Meetings may be held in person or remotely.

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

8. Notice of Meetings

8.1 Meetings of the Committee shall be summoned by the Company Secretary at the request of the Chair.

8.2 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.

8.3 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 Chair.

9. Conduct of Meetings

Except as outlined above, meetings of the committee shall be conducted in accordance with the Articles of Association where specified.

10. Minutes of Meetings

The Company Secretary or their nominee shall minute the proceedings and resolutions of the Committee, including recording the names of those present and in attendance.

Minutes of Committee meetings shall be circulated within 15 working days to all members of the Committee and the Chair of the Board. The Chair of the Committee shall provide a written or verbal report (as appropriate or as requested by the Chair of the Board) to the following Board meeting.

11. Conflict of Interest

The Committee Chair shall ascertain any conflicts of interest of members of the Committee at the start of each meeting in relation to the matters to be discussed and shall be recorded accordingly in the minutes. The Committee Chair may require any such conflicted member to withdraw from the meeting whilst the Committee considers the matter.

12. Engagement

The Chair of the Committee shall:

- 12.1 attend the Annual General Meeting prepared to respond to any members' questions on the Committee's activities.
- 12.2 ensure effective engagement with key stakeholders on significant matters relating to the Committee's area or responsibility, including colleagues to ensure their views are understood and considered as appropriate by the Committee and the Board.

13. Annual performance review

At least once a year, review its own performance and constitution to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

14. Terms of Reference review

These Terms of reference shall be reviewed annually.

15. Authority

- 15.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Society to perform its duties, including details of responsibilities discharged by the Society's executives, job descriptions, and financial information.
- 15.2 In connection with its duties, the Committee is authorised by the Board, at the Society's expense:
 - 15.2.1 To obtain, via the Company Secretary, any outside legal or other professional advice.
 - 15.2.2 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.

16. Reporting Structure

- 16.1 The Committee will report directly to the Board via the Chair of the Committee.
- 16.2 Following each meeting of the Committee, the Chair shall provide a written or verbal report (as appropriate or as requested by the Chair of the Board) to the next Board meeting on its proceedings after each meeting on all matters within its duties and responsibilities.
- 16.3 A report shall be made to the November meeting of the Board with respect to the recommendations for the following calendar year. The Chair shall have consulted with the Chief Executive on a draft of the report prior to presentation.
- 16.4 The Committee shall make whatever recommendations to the Board it deems appropriate on any areas within its remit where action or improvement is needed.

17. Other Matters

The remuneration of Non-Executive Directors shall be a matter for the Chair of the Board and the Executive Directors. No director or employee shall be involved in any decision as to their own remuneration.