

THE CIVIL SERVICE MOTORING ASSOCIATION LTD

TERMS OF REFERENCE OF: THE REMUNERATION & NOMINATIONS COMMITTEE

Definitions

1. In this document:

“Articles”	means the Articles of Association of the Association
“the Association”	means the Civil Service Motoring Association Ltd
“the Association Chair”	means the person appointed as Chair of the Association
“the Board”	means the Board of Directors of the Association
“the Code”	means the UK Corporate Governance Code
“Director”	means a person who is a Director of the Association
“Governors”	means individuals who are Governors of the Association
“Group”	means the group of companies of which the Association is the holding company

Responsibilities and other matters

2. The Committee has the responsibilities set out in the Appendix to these Terms of Reference. The Committee has oversight of the Group as a whole in relation to the **remuneration of executive directors** and (unless required otherwise by law or regulation) carries out the duties in the Appendix for the Association and its subsidiaries and the Group as a whole, as appropriate.
3. The Committee has the responsibilities set out in the Appendix to these Terms of Reference. The Committee has oversight of the Group as a whole in relation to **Nominations** and (unless required otherwise by law or regulation) carries out the duties in the Appendix for the Association and its subsidiaries and the Group as a whole, as appropriate.
4. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time shall be made available for Board discussion, when necessary.
5. When making a decision or recommendation the Committee shall have due regard to the ethos, values and traditions of the Association.
6. The Committee shall have due regard to the following principles of the Code:
 - (a) Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

- (b) A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in the final decision regarding their own remuneration outcome.
- (c) Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

7. The Committee shall:

- (a) Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.
- (b) 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.
- (c) Give due consideration to all relevant laws and regulations and the Code and associated guidance.
- (d) Ensure that a periodic evaluation of the Committee's own performance is carried out.
- (e) annually review the Committee's terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

Reserved to the Board: NED Remuneration

8. In accordance with the Code¹, the remuneration of non-executive members of the Board is determined by the Executive Directors, with advice from the Remuneration Committee'.

Programme of Priorities

9. On annual basis the Committee will set out a programme of priorities for the following year which will inform the agenda for its meetings.

Professional Advice

10. The Committee is authorised by the Board to obtain, at the Association's expense, external legal or other professional advice on any matters within its terms of reference, subject to prior approval by the Association Chair or the Chief Executive. (For the avoidance of doubt, an individual member of the Committee is not entitled to be reimbursed in respect of the cost of legal advice taken personally, rather than by the Committee collectively.)

Membership

11. Appointments to the Committee are made by the Board.

¹ The Code states that: (a) No director should be involved in deciding their own remuneration outcome (Principle Q); (b) The board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association (paragraph 34).

12. The Committee shall comprise not less than two non-executive Directors², including the Association Chair.
13. Appointments shall be made for such period as the Board shall approve.

People attending meetings of the Committee

14. Only members of the Committee have the right to attend meetings of the Committee. However, other individuals (including employees and external advisers) may be invited to attend meetings for all or part of any meeting, as and when the Committee Chair deems appropriate.
15. The Chief Executive, the Company Secretary and the Chief People Officer shall normally be invited to attend meetings of the Committee.

Notice of Meetings

16. Meetings of the Committee shall be called by the Company Secretary, at the request of the Committee Chair or any other member of the Committee.
17. Unless otherwise agreed by a majority of the Committee, notice of each meeting (including an agenda of items to be discussed) shall be given to each member of the Committee and any other person invited to attend no less than five working days before the date of the meeting.

Quorum

18. The quorum necessary for the transaction of business shall be two members of the Committee.

Committee Chair

19. The Board shall appoint a non-executive director of the Association to be the Committee Chair, with relevant experience to be Committee Chair.
20. Meetings of the Committee shall normally be chaired by the Committee Chair. However:
 - (a) In the absence of the Committee Chair, the remaining members of the Committee present shall elect one of themselves to chair the meeting.
 - (b) The Association Chair shall not chair the Committee when it is discussing issues around the appointment of the Association Chair's successor.
21. The Committee Chair shall report to the Board at its next meeting on the nature and content of the Committee's discussions, recommendations and action to be taken.

Frequency of meetings

22. The Committee shall meet sufficiently regularly to discharge its duties effectively. It is expected that the Committee shall normally meet at least twice a year.

² A non-executive director is a director who is not employed by the Association.

Video calls etc

23. As stated in the Articles, a Director may participate in a meeting of the Committee by means of a video or audio conference call or any other electronic facility which allows all persons participating in the meeting to hear one another. Such a participant shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly. The meeting shall be deemed to take place where the largest group of those participating is assembled or (if there is no such group) where the person chairing the meeting then is.

Decision-making

24. Questions arising at a meeting of the Committee shall be decided by a majority of votes. In the case of an equality of votes, the person chairing the meeting shall have a casting vote.
25. At times when the Committee comprises only two Directors, a written resolution signed by both of them (i.e. all members of the Committee) shall be valid and effectual as if it had been passed at a meeting of the Committee that has been duly convened and held. Such a resolution may consist of several documents in the like form, each signed or confirmed electronically by the relevant Directors.
26. As stated in the Articles, a written resolution signed or confirmed electronically by not less than three quarters of the Committee entitled to receive notice of a meeting of the Committee (subject to a minimum of **three** Directors) shall be as valid and effectual as if it had been passed at a meeting of the Committee that has been duly convened and held. Such a resolution may consist of several documents in the like form, each signed or confirmed electronically by one or more of the Directors.

Conflicts of Interest

27. A member of the Committee must disclose before the beginning of a meeting if he/she has a material personal interest in any matter that is going to be discussed by the Committee at the meeting. Conflicts must also be raised during the meeting when they become apparent.
28. As stated in the Articles:
- (a) If a proposed decision of the Directors is concerned with an actual or proposed transaction or arrangement with the Association in which a Director is interested, that Director is not to be counted as participating in the decision-making process for quorum or voting purposes unless the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest or the Director's conflict of interest arises from arrangements pursuant to which benefits are made generally available to employees and directors.
 - (b) If a question arises at a meeting of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the person chairing the meeting whose ruling in relation to any Director other than himself/herself is to be final and conclusive. If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the person chairing the meeting, the question is to be decided by a decision of the Directors at that meeting, for which purpose the person chairing the meeting is not to

be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

Administration

29. The Company Secretary (or their nominee) shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
30. The Company Secretary shall minute or arrange for the minuting of the proceedings of all Committee meetings, including recording the names of those present and in attendance.
31. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes shall be circulated to all other members of the Board unless exceptionally it would be inappropriate to do so (for example, when matters personal to an individual director were discussed).

Date approved by the Board:

To be approved.

THE APPENDIX A

RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

The Committee shall:

General

1. Recommend to the Board the framework and policies for the remuneration of executive directors of companies in the Group (executive and non-executive) and (in proposing such policy) the Committee shall take into account all factors which it deems necessary including corporate governance guidance and legal requirements. The objectives of such framework and policies shall be:
 - (a) To ensure that executive directors are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the success of the Group in a fair and responsible manner.
 - (b) The Group is able to attract, retain and motivate directors of the quality required to run the Group successfully without paying more than is reasonable and necessary.
 - (c) To support strategy and promote long term sustainable success, with executive remuneration being aligned to the Association's purpose and values and clearly linked to the successful delivery of the Association's long-term strategy.
2. Review the ongoing appropriateness and relevance of the Directors Remuneration Policy.
3. When determining remuneration policy and practices in relation to executive directors, consider the Code's requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

Incentive Schemes

4. Recommend to the Board targets for any annual performance related pay or bonus schemes affecting executive directors and, following review and sign off by the Audit & Risk Committee, authorise payment of the total award made under such schemes as well as individual awards to executive directors and (if the Committee deems appropriate) recommend bonuses in excess of indicated guidelines / maximum % award.
5. Recommend to the Board targets for any long-term incentive plan affecting executive directors and review performance against targets each year. At the end of the relevant period, following review and sign off by the Audit & Risk Committee, recommend to the Board the total award made under the plan as well as individual awards to executive directors.

Executive Director Remuneration

6. Within the terms of the agreed policy and in consultation with the Association Chair and/or the Chief Executive, as appropriate, determine the total individual remuneration package of each executive director (including bonuses and incentive payments or awards). The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion

when determining remuneration awards, taking account of company and individual performance, and wider circumstances.

7. Review and advise the remuneration of Non-Executive Directors for Board and Committee roles.

Note: As part of the review of annual achievements the Committee shall be entitled to have sight of the performance appraisals of executive directors.

Benchmarking etc

8. Obtain reliable, up-to-date information about remuneration in other organisations using appropriate information and outsourced independent consultants.

Conflicts of Interest

9. Ensure that no director or senior manager shall participate in discussions of the Committee as to their own remuneration outcome.

External Advisers

10. In conjunction with the Chief People Officer, be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for consultants who advise the Committee.

THE APPENDIX B**RESPONSIBILITIES OF THE NOMINATION COMMITTEE**

The Committee shall:

1. Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
2. Bear in mind the need to ensure the Board has a reasonably diverse range of skills, experience and backgrounds and the Board's desire to promote diversity within the Association.
3. Ensure there are formal, rigorous and transparent procedures in place for the appointment of Directors.
4. Ensure plans are in place for orderly succession to the Board and other senior governance positions within the Association (including Governors) and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Association, and the skills and expertise needed on the Board in the future.
5. Identify the capabilities required for appointments to the Board and other senior governance positions within the Association.
6. Keep under review the leadership needs of the organisation (both executive and non-executive) with a view to ensuring the continued ability of the organisation to compete effectively.
7. Make recommendations to the Board regarding:
 - (a) Appointments to the Board (executive and non-executive).
 - (b) Membership of the Board's various committees.
 - (c) Succession planning processes for Directors and Governors.
 - (d) Induction processes for new Directors.
8. Keep up-to-date and fully informed about strategic issues and commercial changes affecting the Group and the sector(s) in which it operates.
9. Be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise.
10. Before any appointment of a Director is made by the Board (rather than, say, an appointment by the membership or Club Council), evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for the particular appointment and the time commitment expected.

11. In identifying suitable candidates for appointment as non-executive directors by the Board³, the Committee shall:
 - (a) use open advertising or the services of external advisers to facilitate the search;
 - (b) consider candidates from a wide range of backgrounds; and
 - (c) consider candidates on merit and against objective criteria, having due regard to the benefits of diversity on the Board and taking care that appointees have enough time available to devote to the position.
12. Ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.
13. Review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.
14. Review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
15. Work and liaise as necessary with other Board committees, ensuring the interaction between Committees and with the Board is reviewed regularly.
16. Make recommendations to the Board concerning:
 - (a) Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.
 - (b) Suitable candidates as new Directors and succession for existing Directors.
 - (c) Membership of the Audit & Risk and Remuneration & Nomination Committees, and any other board committees as appropriate, in consultation with the chair of those committees.
 - (d) The re-appointment of non-executive directors at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required.
 - (e) Any matters relating to the continuation in office of any Director at any time (including the suspension or dismissal of an executive director as an employee of the Association).

Executive Management

17. Be responsible with the Association Chair for the recruitment process when the Association is going to appoint a new Chief Executive.

³ *The Board has the power to appoint up to two individuals as non-executive directors.*

18. Oversee the recruitment process (led by the Chief Executive) when the Association is going to appoint a new Chief Financial Officer.

CPD/Training

19. Keep under review the training needs of the Board and make recommendations to the Board regarding continuing professional development.

MLS and Parliament Hill⁴

20. Oversee the governance arrangements of Motoring & Leisure Services Ltd and Parliament Hill Ltd (including the appointment of new directors) and make recommendations to the Board.

Club Council

21. Oversee the Club Council's governance arrangements (including succession planning) and make recommendations to the Board.

Governors

22. Keep under review the governance arrangements in relation to the Governors and make recommendations to the Board (as the Committee sees fit).
23. Review recommendations from the Club Council for Governor appointments (prior to recommendation to the Board).

⁴ *The Association's two main subsidiaries (Motoring & Leisure Services Ltd and Parliament Hill Ltd) are both FCA regulated and are governed by their own boards of directors. Since the Association is the governing body of their holding company, the Board needs to oversee the governance arrangements of the two subsidiaries.*