

Terms of Reference
Finance Wales Group ("the Group") – Remuneration Committee

Constitution

1. The Board of Finance Wales plc ("the Board") has established a Committee of the Board known as the Remuneration Committee ("the Committee").
2. The Finance Wales Group is comprised of Finance Wales plc and all its wholly owned subsidiary companies.

Membership and attendance

3. The Committee is appointed by the Chairman of the Board from amongst the members of the Board and shall consist of at least two members. The members should be independent of Executive Management and free from any business or any relationship that could materially interfere with the exercise of their independent judgement.
4. The Chairman of the Board shall appoint the Committee Chairman. In the absence of the Committee Chairman the remaining members present shall elect one of themselves to Chair the meeting.
5. No one other than members of the Committee is entitled to be present at Committee meetings. The Chief Executive, Group Investment Director and HR Consultant shall normally be in attendance except when issues regarding their own remuneration are discussed.
6. If a regular member is unable to attend due to absence, illness or any other cause, the Chairman of the Committee may co-opt another independent director of the Company to serve as an alternate member.
7. The Committee shall, at their discretion, invite other persons to attend the meetings to provide information so as to assist the Committee in the discharge of its duties. For the avoidance of doubt, such persons shall not be entitled to vote on any resolutions of the Committee.
8. All members of the Committee shall be advised of the business to be transacted at any meeting even if they are unable to be present.
9. The Company Secretary or their nominee shall act as the Secretary to the Committee.

Frequency of meetings and quorum

10. The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.
11. The quorum for meetings will be 2 members present throughout the meeting either in person or by telephone. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all powers and discretions of the Committee.

Meetings

12. Meetings of the Committee shall be called by the Company Secretary at the request of any of its members.
13. The Company Secretary shall minute the proceedings of all meetings including the names of those present and in attendance.
14. Minutes of the Committee meetings shall be circulated promptly to all members of the Committee.

Duties

15. The committee shall:
 - 15.1 Determine and approve the framework or broad policy for the remuneration of the company's Directors and Executive Management Team providing that no Director shall be involved in any decisions as to their own remuneration.
 - 15.2 In determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the Executive Management Team are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contributions to the success of the organisation.
 - 15.3 Approve the design of any performance related pay schemes to be operated by the organisation and approve the total annual payments made under such schemes.
 - 15.4 Within the terms of the agreed policy and in consultation with the Chairman or Chief Executive as appropriate determine the total individual remuneration package for each member of the Executive Management Team.
 - 15.5 Oversee any major changes in employee benefits structures throughout the organisation.

Responsibilities of the Chief Executive

16. For the sake of clarify the duties of the Chief Executive of the Group derived from the Management Arrangement are set out in Appendix A.

Reporting responsibilities

17. The Committee Chairman shall provide feedback to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
18. The Committee shall make recommendations to the Board as is deemed appropriate on any area within its remit where action or improvement is needed.

Other

19. 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.

Authority

20. The Committee is authorised by the Board to seek any information it requires from any employee of the organisation in order to perform its duties.
21. The Committee is authorised to obtain independent professional advice at the expense of the Group if it considers this necessary. Arrangements for this advice should be channelled through the Company Secretary.

See Appendix A Overleaf.

APPENDIX A

Duties of the Chief Executive of the Group

The Chief Executive is responsible for the personnel management of staff and should ensure that:

- The level and structure of staffing is commensurate with its functions and the requirements of efficiency, effectiveness and economy;
- Recruitment of staff is based on fair and open competition;
- A system is available at all levels which satisfactorily appraises the performance of staff for the purposes of performance pay and where appropriate promotion;
- Appropriate salaries, allowances, pensions, business expenses and redundancy payments are made to staff;
- Appropriate pension arrangements are put in place for staff;
- HR policies and procedures are maintain and updated and are consistent with current legal requirements;
- Assess best practice in the financial services sector and applying them to the organisation where applicable;
- A staff development programme is available;
- Grievance and disciplinary procedures are established for the Group;
- Full regard is given to an equal opportunities policy; and
- There is proper consultation with staff of the Group on matters affecting them.

The staffing and personnel management responsibilities of the Chief Executive are based on section 4 of the Management Arrangement which governs the relationship between the Welsh Ministers and Finance Wales plc.