

Terms of Reference - Remuneration Committee

1. Membership

- 1.1. The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Remuneration Committee.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the HR Director, the Head of Reward and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 1.3. The Board shall appoint the Committee Chairman, who shall be an independent non-executive director and shall have served on a remuneration committee for at least 12 months prior to appointment as Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be the Committee Chairman.

2. Secretary

- 2.1. The Company Secretary or his or her 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 the issues.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two members.

4. Meetings

- 4.1. The Committee shall meet at least twice a year and otherwise as required.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee 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 and any other person required to attend no later than five 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.

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 to members of the Committee promptly and to all other non-executive directors unless it would be inappropriate to do so in the opinion of the Committee Chairman.

7. Interaction with Members

- 7.1. The Committee Chairman shall attend the Annual General Meeting prepared to answer member questions on the Committee's activities.
- 7.2. The Committee Chairman shall engage, as appropriate, with members on significant matters related to the duties of the Committee.

8. Duties

The Committee should carry out the duties detailed below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee shall:

- 8.1. have delegated responsibility for setting the remuneration policy and practices for all executive directors, the Board Chairman (in consultation with the executive directors), Company Secretary, and senior executives who are members of ExCo including pension rights and any compensation payments. The remuneration of non-executive directors (excluding Board Chairman) shall be a matter for the executive directors. No director or manager shall be involved in any decisions as to their own remuneration;
- 8.2. in determining such policy and practices, consider all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (Code) and associated guidance and any applicable codes on Remuneration Practices, including Consumer Duty. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully, having regard to the interests of all relevant stakeholders and wider workforce remuneration and related policies;
- 8.3. design remuneration policy and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the company's long term strategy, and that enable the use of discretion to override formulaic outcomes and to apply malus and clawback under appropriate specified circumstances;
- 8.4. annually review the ongoing appropriateness and relevance of the remuneration policy;
- 8.5. have oversight of the central and independent internal review of NFUM's remuneration policies and practices annually

- 8.6. within the terms of the agreed policy and in consultation with the Board Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of the Board Chairman, each executive director, the Company Secretary and senior executives who are members of ExCo, including bonuses and incentive payments. 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;
- 8.7. review annually the criteria for identifying identified staff as required by PRA, FCA regulation and the list of identified staff;
- 8.8. have oversight of the remuneration policy and its implementation in respect of identified staff to ensure it remains appropriate and meets the regulatory requirements;
- 8.9. be responsible for the annual review of all Identified Staff remuneration including base and variable pay, and for approving any remuneration for new appointments or promotions into Identified Staff roles at NFU Mutual's Executive Committee (ExCo) (including Company Secretary), and for approving any changes to remuneration for these ExCo roles outside of the annual review. For other Identified Staff roles (i.e.. excluding ExCo and the Company Secretary), where individuals are appointed, where a mid-year base salary change is proposed or severance pay is required, provided the proposal is in accordance with NFU Mutual's standard remuneration policy and practice, their remuneration can be jointly approved by the CEO and HR Director and reported to the Committee at the next meeting that follows the approval.
- 8.10. obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, at the expense of the parent company but within any budgetary restraints imposed by the Board. The Committee shall exercise independent judgement when evaluating third party advice and when reviewing views from executive directors or senior management and should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants;
- 8.11. determine the design of, and targets for, any performance related pay schemes operated by the Group for each executive director, the Company Secretary and other senior executives who are members of ExCo and approve the total annual payments made under such schemes. For any such schemes, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for executive directors, the Company Secretary and senior executives who are members of ExCo, and the performance targets to be used;
- 8.12. determine the policy for, and scope of, pension arrangements for each executive director, the Company Secretary and other senior executives who are members of ExCo;

- 8.13. ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.14. review workforce remuneration and related policies and oversee any major changes in employee benefits structures throughout the Group;
- 8.15. agree the policy for authorising claims for expenses from directors unless the policy is the same as the Employee Business Travel Policy;
- 8.16. work and liaise as necessary with all other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly.

9. Reporting Responsibilities

- 9.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. 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 should be available for Board discussion when necessary.
- 9.3. The Committee shall produce a report to be included in the company's annual report which takes account of the information required to be disclosed under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Code, in so far as they are applicable to the company. The Committee shall ensure that it is put to members for approval at the AGM. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the company or individual directors.

10. Other Matters

The Committee shall:

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2. 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;
- 10.3. give due consideration to laws and regulations and the provisions of the relevant remuneration Code and Consumer Duty;
- 10.4. arrange for periodic reviews of its own performance and, at least annually, review its 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 obtain, at the parent company's expense, outside legal or other professional advice on any matters within its terms of reference.