

UK Infrastructure Bank Limited

(Company Number: 06816271)

Remuneration Committee – Terms of Reference

**The UK Corporate Governance Code (“the Code”)**

The Code states that:

A formal and transparent procedure for developing policy on executive remuneration and determining director and executive committee remuneration should be established.

It also provides that:

The Board should establish a Remuneration Committee with appropriate Terms of Reference.

As with most aspects of corporate governance, UKIB must be seen to be doing all these things in a fair and thorough manner. The Code requires us to go through a formal process of considering executive remuneration. It is essential that the Remuneration Committee be properly constituted with a clear remit and identified authority.

**1. Purpose and Objectives**

1. The purpose of the Remuneration Committee (the “Committee”) is to:
  - a. Determine and agree with the Board, the remuneration strategy, and the broad policy for remuneration of directors, senior management, and any other individual employees deemed appropriate by the Committee.
  - b. Determine the specific remuneration packages for the Chief Executive Officer, Executive Directors, and senior management, including the Company Secretary. The specific remuneration of Non-Executive Directors is a shareholder matter in consultation with the Chair of the Remuneration Committee (“Committee Chair”);
  - c. Provide oversight on the appropriateness and relevance of the remuneration policy and performance related pay practices for the workforce of UKIB.

**2. Membership**

1. The Committee shall comprise at least three members from the Non-Executive Directors to the Board, one of whom shall be the Shareholder Director (as defined in the UKIB Board Terms of Reference). The Chair of the Board (the “Board Chair”) may also serve on the Committee as a member if he or she was considered independent on appointment as Board Chair (but may not chair the Committee). All other members of the Committee shall be independent Non-Executive Directors. Members of the Committee shall be appointed by the Board and in consultation with the Committee Chair.
2. Only members of the Committee and the Board Chair have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, other directors, the

Chief People Officer (“CPO”), the Head of Reward, and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and at the Committee Chair’s discretion.

3. Appointments to the committee shall be for a fixed term of three years, which may be extended up to two further terms of three years. The Board reserves the right to vary sub-committee membership as it sees fit, dependent upon the make-up of the Board at any point in time.
4. The appointment of the Committee Chair is a shareholder reserved matter. The Committee Chair shall be a Non-Executive Director. The appointee should have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair 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 Chair of the Board shall not be the Committee Chair.
5. The quorum for the transaction of business shall be two, one of whom must be a Non-Executive Director.
6. Each member will disclose to the Committee:
  - a. any personal financial interest in any matter to be decided by the Committee;
  - b. any potential conflict of interest; and
  - c. any other matter which may compromise their status as a Non-Executive Director.

Any such member will abstain from voting on resolutions of the Committee in relation to which an interest or conflict exists and from participating in the discussions concerning such resolutions and, if so requested by the Board, will resign from the Committee.

### **3. Minutes of Meetings**

1. The Governance Team provides secretariat services, the HR team take the minutes, collectively ensuring the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
2. Meetings of the Committee shall be called by the secretariat at the request of the Committee Chair or any of the Committee members.
3. The HR team shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
4. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the company secretary unless, exceptionally, it would be inappropriate to do so.

### **4. Frequency, Notice, Quorum, Procedural Matters**

1. The Committee shall meet at least four times a year and otherwise as required.

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 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.
3. A minimum of two members is necessary for the transaction of the business of the Committee.
4. A duly convened meeting of the Committee is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
5. It is not necessary for all members of the Committee to be present in the same physical location, provided that each member can communicate with the others.
6. Decisions will be taken on a majority basis. In the case of equality of votes, the Committee Chair shall have the second, casting vote.

## 5. Duties

1. The Committee shall carry out the duties detailed below for UKIB, more specifically, the Committee shall:
  - a. have responsibility for setting the remuneration policy for the executive directors, executive committee, the Company Secretary and all employees, including pension rights and any compensation payments. No director or senior manager shall be involved in any decisions as to their own remuneration. The Committee may seek the views of the company's Chief Executive Officer in respect of the remuneration policy for senior management and executive directors (other than the chief executive himself);
  - b. in determining such policy, take into account all factors that it deems necessary including relevant legal and regulatory requirements, the provisions, and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run UKIB successfully without paying more than is necessary. The remuneration policy should have regard to the risk appetite of UKIB and alignment to UKIB long strategic term goals, purpose and values and which enables the use of discretion to override formulaic outcomes. They should also include provisions that would enable UKIB to recover and/or withhold sums and specify the circumstances in which it would be appropriate to do so;
  - c. when setting remuneration policy for executive directors, review and have regard to pay and employment conditions across the group, especially when determining annual salary increases, bonus payments and long-term incentives;
  - d. review the on-going appropriateness and relevance of the remuneration policy;
  - e. within the terms of the agreed policy and in consultation with the Committee Chair and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each executive director, and all other members of the executive committee, including the company secretary, including bonuses, incentive payments and long-term incentive plans;

- f. 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 company but within any budgetary restraints imposed by the Board;
- g. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- h. following the determination of the corporate performance of the business by the Board, consider and make recommendations to the Board for the performance ratings for the corporate elements of the bonus schemes and long-term incentives operated by the company;
- i. approve the design of, and determine targets for, any bonus schemes and long-term incentives operated by the company and approve the total annual payments made under such schemes (in accordance with the provisions in the Code);
- j. determine the policy for, and scope of, pension arrangements for employees;
- k. ensure, taking into account the principles of Managing Public Money, that contractual terms on termination, and any payments made, are fair to the individual and UKIB, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- l. oversee any major changes in employee benefits structures;
- m. agree the policy for authorising claims for expenses from the directors; and
- n. work and liaise as necessary with all other Board committees.

## **6. Reporting responsibilities**

1. The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
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.
3. The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce a report of UKIB's remuneration policy and practices to be included in the Annual Report and Accounts. If the Committee has appointed remuneration consultants, the annual report of UKIB's remuneration policy should identify such consultants and state whether they have any other connection with UKIB.

## **7. Other matters**

The Committee shall:

1. where relevant, act in accordance with article 88 of the company's Articles of Association and the remaining provisions of UKIB's constitution;
2. have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
3. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
4. give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed and non-listed companies and the formation and operation of the long-term incentive plan including but not limited to the provisions of the Code as well as guidelines published by the Association of British Insurers and the National Association of Pension Funds and any other applicable rules, as appropriate;
5. 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; and
6. require that the remuneration, of whatsoever nature, of all the directors, senior management and employees of the company and other members of the group is paid or made to the relevant individual personally and not to a service company or other vehicle, and that all applicable tax and national insurance contributions are paid in respect of such remuneration.

## **8. Authority**

1. The Committee is authorised by the Board to obtain, at the company's expense, external legal or other professional advice on any matters within its terms of reference.
2. The Committee is a committee of the Board from which it derives its authority and to which it regularly reports.
3. The Committee has delegated authority from the Board in respect of its functions and responsibilities set out in these Terms of Reference.
4. The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse issues and to report back to the Committee.
5. The Committee has authority to oversee any investigation of activities relating to UKIB which are within its Terms of Reference.
6. The Committee is authorised to seek any information it requires from any employee of UKIB in order to perform its duties or call any employee to be questioned at a meeting of the Committee as and when required. In particular, the Committee shall seek appropriate input from the Risk and Compliance functions when determining remuneration policy.

7. The Committee Chair and the Company Secretary are authorised by the Board to review and approve any non-material change required to be made to the Committee's Terms of Reference. Any such change should be reported to the Board.

**Approved by the Board (Date)** .....

**Next Review (Date)** .....