

Remuneration Consultants Group ('RCG')

Governance Framework

1. Terms of Reference

- 1.1. To promote good practice through the development and maintenance of a voluntary Code of Practice ("Code") for Remuneration Consultants¹, comprising Fundamental Principles and Good Practice Guidelines.
- 1.2. Provide a mechanism for receiving feedback on the Code from interested parties.
- 1.3. Periodically undertake a review of the Code and adapt it in light of experience and changing market and industry experience.
- 1.4. Maintain a website providing access to:
 - 1.4.1.the latest version of the Code;
 - 1.4.2.a list of Members;
 - 1.4.3.these terms of reference and governance framework of the RCG and the RCG's Articles of Association ;
 - 1.4.4.details on how to apply to become a member;
 - 1.4.5.information about the Board and Board meeting dates;
 - 1.4.6.information on how to contact the RCG.
 - 1.4.7.the RCG's Data Protection Policy;
 - 1.4.8. news about the publication of Reviews of the Code, the Effectiveness of the Code and new independent director appointments

2. Membership of the Remuneration Consultants Group

- 2.1. Any consulting firm, or individual acting as a sole trader, named in the (or able to demonstrate that it will be named in the next published) Directors' Remuneration Report as advising the Remuneration Committee of at least one U.K Premium Listed company shall be eligible to be a member.
- 2.2. If a parent firm has separate legal entities acting as Remuneration Consultants then only one of the family of firms may be a member of the RCG.
- 2.3. By becoming a member of the RCG, a member commits to:
 - 2.3.1. complying with the Code
 - 2.3.2. payment of an annual membership fee as proposed by the Board and approved by the members in General Meeting. For members with fewer than five FTSE 350 Remuneration Committee appointments as of 1 January of the relevant year (and U.K revenues from all kinds of work of less than £5m) a discounted rate, is available. The balance of

¹ A Remuneration Consultant is a firm or individual sole trader appointed to provide consulting advice to a listed company Remuneration Committee on matters within its remit.

the costs will be split equally between those members appointed by five or more companies. Members with fewer than five appointments may elect to pay the higher tariff if they so wish.

2.3.3. having at least one U.K Premium Listed Remuneration Committee appointment within 12 months of joining and being named as the adviser to the Remuneration Committee to that company in its Directors' Remuneration Report or confirmation that it will be so named in the next Remuneration Report

2.3.4. its individual consultants discussing the Code of Conduct with the Chair of the Remuneration Committee on appointment to advise a Remuneration Committee and to implementing any of its terms as required by that client in the letter of engagement governing the appointment.

2.4. Members may resign from the RCG at any time by giving no less than seven days' notice in writing.

3. Governance

3.1. The RCG is responsible for establishing a Board comprising an Independent Chairman, two Independent Members and four elected representatives of member firms to oversee and support the work of the Group. A Member director may appoint an alternate from the same Member firm should he/she not be available to attend a Board meeting.

3.2. The RCG will hold at least one meeting per year to consider and vote on recommendations from the Board in respect of amendments to the Code, elect Board members and agree fees for membership

3.3. The role of the Board is to:

3.3.1. assist in promotion of the Code to Stakeholders in remuneration decision making;

3.3.2. conduct a triennial review of the Code, including consultation with interested parties, specifically including remuneration committees, corporate buyers of remuneration consulting services, institutional investors and members of the RCG;

3.3.3. conduct an annual review of the effectiveness of the Code, principally by researching policy and practice in respect of following the Code within the member firms;

3.3.4. review and circulate to members any feedback received from external parties on the Code and its operation;

3.3.5. propose revisions to the Code to the RCG in light of such consultation, subject to endorsement by a majority of the votes cast by members of the RCG in general meeting;

3.3.6. meet at the request of at least four members of the RCG to address matters relating to the Code or governance of the RCG, with majority voting, a casting vote by the Chair and a quorum of at least three including at least one Member director and one Independent director;

3.3.7. recommend a budget to the RCG for operation of the Board and any secretariat services required, and recommend the fees payable by members;

3.3.8. recommend from time to time the votes for each member linked to the applicable fee structure.

3.4. The role of the Independent Chairman is to :

3.4.1. represent and promote the views of the RCG through meetings with such external bodies as he/she considers to be appropriate;

- 3.4.2. arrange to meet with such external individuals and bodies as he/she considers appropriate to consider what (if any) revisions may be appropriate to the Code;
 - 3.4.3. convene and chair a meeting of the RCG at least once per year with the purpose of, for example, approving appointments to the Board, reviewing the Code and its operation, and approving any amendments to it recommended by the Board;
 - 3.4.4. convene such additional meetings of the RCG (on at least two but not more than four weeks' notice) as are (a) deemed necessary by the Board or (b) requested by at least four members of the RCG;
 - 3.4.5. convene and Chair the Board at such times as deemed necessary in order to review the Code and monitor the operation of the Code.
- 3.5. The primary roles of the two other independent members of the Board are to support the Chairman in his role and in particular to meet external parties in connection with the Review of the Code as set out in 3.4.2 above
- 3.6. The RCG is not a professional trade body. Any individual cases relating to the relationship of an RCG member with a client are deemed to be a matter between the individual consultant and the client under the contractual arrangement in place. However, in accordance with the RCG's articles of association and the fundamental principles of the Code of Conduct membership of the RCG may be terminated where a member or one or more of its remuneration consultants has failed to meet the standards of behaviour which, in the opinion of the Board, it is reasonable to expect and has failed to provide adequate reassurance to the RCG of its commitment to raise its standards of behaviour.

4. Secretariat

4.1. The role of the Secretariat is to:

- 4.1.1. establish and monitor a contract with a third party to host a website setting out, inter alia, the terms of reference and governance framework of the RCG, and providing access to the Code and details of members of the RCG;
- 4.1.2. provide a web link to the Code to such regulatory bodies as shall request a link or make such other arrangements with them as required to make the Code available;
- 4.1.3. provide administration support to the Board including preparation of papers for all Board and member meetings and agreeing them with the Chair, running the process for the recruitment of independent directors, the election of member directors and the Review of the Code/Effectiveness of the Code, liaising with the RCG's accountants on company regulatory and administrative matters and acting as the RCG Compliance Officer for GDPR purposes;

4.2. Secretariat services may be provided by an independent person or a member of the RCG, approved in either case by resolution of a majority of the votes cast at a general meeting of the RCG, subject to the consent of the Board.

5. Rights of Members

- 5.1. Each member shall be entitled to attend and speak at general meetings of the RCG. Members shall be entitled to vote in general meeting on the basis of the number of votes being proportionate to the annual membership fee payable by that member in respect of that financial year.
- 5.2. Any four members of the RCG may require a resolution to be put before a members' meeting provided that no changes to the Code may be proposed except with the prior recommendation of the Board.

- 5.3. Only representatives of current members may be appointed to the representative posts on the Board. If an RCG member director resigns from his firm during his/her term of office, he/she shall resign as a member director for the RCG.
- 5.4. When there is a vacancy for a member director each member firm may nominate one of its consultants to act as a member director. If there are more nominations than positions to be filled there is an election by the members by secret ballot. Votes are weighted proportionate to the level of fees payable by each member. From April 2024 Member directors are elected for a three year term.

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