

nomination and remuneration committee

terms of reference

1. constitution

- 1.1. the nomination and remuneration committee is constituted as a committee of the board of the Financial Ombudsman Service Limited.
- 1.2. the committee's terms of reference may be amended at any time by the board.

2. authority

- 2.1. the committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the committee.
- 2.2. the committee is authorised by the board to obtain external legal or other professional advice and to secure the attendance of anyone it considers has relevant experience, expertise or knowledge.

3. membership

- 3.1. the committee shall be appointed by the board from amongst its members and shall consist of not less than three members.
- 3.2. the chairman of the board will become the committee chairman. In the absence of the committee chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 3.3. appointments to the committee shall be for a period of one year and reviewed at the board meeting in March each year.
- 3.4. the chief executive/chief ombudsman shall act as secretary to the committee.

4. meetings

- 4.1. the committee shall meet at key points in the year, and on average will have four meetings per year.
- 4.2. the quorum necessary for the transaction of the business of the committee shall be at least two committee members.
- 4.3. at the request of the committee any other board members or senior management staff shall attend meetings.
- 4.4. meetings of the committee shall be arranged by the secretary at the request of the chairman.

- 4.5. 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 other attendees as appropriate, at the same time.

5. minutes of meetings

- 5.1 the secretary shall minute the proceedings and decisions of all committee meetings, including the names of those present and in attendance.

6. responsibilities

- 6.1 the committee shall:
- 6.1.1 oversee the remuneration strategy for the executive and other senior posts within the organisation, and support the chief executive/chief ombudsman in reviewing overall executive performance;
 - 6.1.2 consider and agree proposals from the chief executive/chief ombudsman about the remuneration of senior executive staff and ombudsmen. No director or executive shall be involved in any decision about their own remuneration;
 - 6.1.2 in making these recommendations, take into account all factors which it deems necessary. These may include the review of data and information supplied by external parties and of internal and external comparative information;
 - 6.1.3 consider proposals from the chief executive/chief ombudsman regarding overall remuneration across the service, making recommendations to go to the full board;
 - 6.1.5 be consulted by the chief executive/chief ombudsman on any proposals for major changes to employee benefit structures;
 - 6.1.6 regularly review the structure, size and composition (including the skills, knowledge and experience) required of the board. The chairman and other members of the board are appointed by the Financial Services Authority (Schedule 17, Part II, s 3(2) of the Financial Services & Markets Act 2000) and as such, on behalf of the whole Board, shall make recommendations to the FSA for its approval about:
 - o the appointment of potential board members to fill board vacancies as they arise; *and*
 - o the re-appointment of board members at the conclusion of their term of office having given due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required.

- 6.1.7 in conjunction with the chief executive/chief ombudsman, take an overview of the overall performance and potential of the organisation's senior team, and of the succession and recruitment risks for critical senior posts, ensuring that the HR director and chief executive have effectively identified the risks and have mitigation/succession plans in place.
- 6.1.8 the committee will also make recommendations to the board about the appointment of the chief executive/chief ombudsman and ensure sensible succession planning for the post.
- 6.1.9 the committee will ensure that all appointments it advises on or makes are made with regard to being a good equal opportunities employer. This means that the committee will also work in line with the organisation's wider HR policies, and seek to attract and recruit candidates from the widest possible range of backgrounds.

7. reporting responsibilities

- 7.1 a report of the committee's discussions shall normally be considered at the board meeting following the committee meeting.

8. other

- 8.1 the committee shall, at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.