

## BOARD OF DIRECTORS NOMINATION & REMUNERATION COMMITTEE

### TERMS OF REFERENCE

#### **AUTHORITY:**

The Nomination and Remuneration Committee (the Committee) is constituted as a standing committee of the Trust's Board of Directors (the Board). Its constitution and terms of reference shall be as set out below, subject to amendment at future board meetings.

The Committee is authorised by the Board to act within its terms of reference. All members of staff are directed to cooperate with any request made by the Committee.

The Committee is authorized by the Board to instruct professional advisers and request attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary for or expedient to exercise its functions.

The Committee is authorized to obtain such internal information as is necessary and expedient to the fulfilment of its functions.

#### **MAIN PURPOSE:**

To be responsible for identifying and appointing candidates to fill all the executive director positions on the board and for determining their remuneration and other conditions of service.

#### **MEMBERSHIP:**

The Committee comprises the Chairman and all Non-Executive Directors of the Trust.

When appointing or removing the Chief Executive, the Committee shall be the committee described in Schedule 7, 17(3) of the National Health Service Act 2006 as amended by the Health and Social Care Act 2012 (the Act). When appointing or removing the other executive directors the Committee shall be the committee described in Schedule 7, 17(4) of the Act (that is, the Chairman, the Chief Executive and the non-executive Directors).

The Trust Chairman shall chair the Committee.

#### **ATTENDANCE:**

Only members of the Committee have the right to attend Committee meetings.

At the invitation of the Committee, meetings shall normally be attended by the Director of People. Other persons may be invited by the Committee to attend a meeting so as to assist in deliberations.

Any non-member, including the secretary to the Committee, will be asked to leave the meeting should their own conditions of employment be the subject of discussion.

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## **SECRETARY**

The Board of Directors' Secretary shall be secretary to the Committee.

## **CONFLICTS OF INTEREST:**

Where executive directors or senior management are involved in advising or supporting the remuneration committee, care should be taken to recognise and avoid conflicts of interest. No director should be involved in deciding his or her own remuneration.

## **APPOINTMENTS ROLE:**

The Committee will:

- Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, making use of the output of board evaluation processes as appropriate, and make recommendations to the Board, and nomination & remuneration committee of the council of governors, as applicable, with regard to any changes;
- Give full consideration to and make plans for succession planning for the Chief Executive and other executive board directors taking into account the challenges and opportunities facing the Trust and the skills and expertise needed on the Board in the future;
- Keep the leadership needs of the Trust under review at executive level to ensure the continued ability of the Trust to operate effectively in the health economy;
- Be responsible for identifying and appointing candidates to fill posts within its remit as and when they arise;
- When a vacancy is identified, evaluate the balance of skills, knowledge and experience on the board, and its diversity, and in the light of this evaluation, prepare a description of the role and capabilities required for the particular appointment. In identifying suitable candidates the Committee shall use open advertising or the services of external advisers to facilitate the search; consider candidates from a wide range of backgrounds; and consider candidates on merit against objective criteria;
- Ensure that a proposed executive director is a "fit and proper person" as defined in law and regulation;
- Ensure that a proposed executive director's other significant commitments (if applicable) are disclosed before appointment and that any changes to their commitments are reported to the Board as they arise;
- Ensure that proposed appointees disclose any business interests that may result in a conflict of interest prior to appointment and that any future business interests that could result in a conflict of interest are reported;
- Carefully consider what compensation commitments (including pension contributions) the directors' terms of appointment would give rise to in the event of early termination to avoid rewarding poor performance. Contracts should allow for compensation to be reduced reflecting a departing director's obligation to mitigate loss. Appropriate claw back provisions should be considered in case of a director returning to the NHS within the period of any putative notice;

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- Consider any matter relating to the continuation in office of any board executive director including the suspension or termination of service of an individual as an employee of the Trust, subject to the provisions of the law and their service contract.

## **REMUNERATION ROLE:**

The Committee will:

- Establish and keep under review a remuneration policy in respect of executive board directors;
- Consult the Chairman and Chief Executive about proposals relating to the remuneration of the other executive directors;
- In accordance with all relevant laws, regulation and Trust policies, decide and keep under review their terms and conditions of office of the Trust's executive directors and senior managers on locally determined pay, including:
  - Salary, including performance related pay or bonus;
  - Provision of other benefits including pension and vehicles;
  - Allowances;
  - Payable Expenses;
  - Compensation payments

In adhering to all relevant laws, regulations and Trust policies:

- Establish levels of remuneration which are sufficient to attract, retain and motivate executive directors of the quality and with the skills and experience required to lead the trust successfully, without paying more than is necessary for this purpose, and at a level which is affordable to the Trust;
- Decide whether a proportion of executive director remuneration should be structured so as to link reward to corporate and individual performance;
- Make sure that any performance-related elements of executive remuneration are stretching and promote the long-term sustainability of the foundation trust, and take as a baseline for performance and competencies required and specified within the job description for the post;
- Consider all relevant and current directions relating to contractual benefits such as pay and redundancy entitlements;
- Use national guidance and market benchmarking analysis in the annual determination of remuneration of executive directors (and senior managers on locally determined pay where necessary), while ensuring that increases are not made where Trust or individual performance does not justify them;
- Be sensitive to pay and employment conditions elsewhere in the Trust, especially when determining annual salary increases;
- Monitor and assess the output of the evaluation of performance of the performance of individual directors, and consider this output when reviewing changes to remuneration levels;

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- Monitor procedures to ensure that existing directors are and remain “fit and proper” persons as defined in law and regulation.

### **FREQUENCY OF MEETINGS**

Meetings shall be called as required, but at least twice in each financial year.

### **MINUTES AND REPORTING**

Formal minutes shall be taken of all Committee meetings.

Once approved by the Committee, the minutes should be circulated to the Board unless it would be inappropriate to do so.

The Committee will report to the Board after each meeting.

### **PERFORMANCE EVALUATION & REVIEW**

As part of the Board’s annual performance review process, the Committee shall review its collective performance, and these terms of reference shall be reviewed by the Board when required, but at least annually.

**Approved by Committee – May 2018**

**Approved by Board of Directors – June 2018**

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