

## **REMUNERATION COMMITTEE**

### **TERMS OF REFERENCE**

**January 2016**

**Version 1.0**

## **1 CONSTITUTION**

The Board of Directors (the “Board”) of Metro Bank PLC (the “Company”) has established a Committee of the Board, known as the Remuneration Committee (“Committee”), with Terms of Reference as set out below.

## **2 MEMBERSHIP**

- 2.1 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 Committee. The Committee shall be made up of at least three members, all of whom shall be independent Non-Executive Directors.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.3 Appointments to the Committee shall be for a period of up to three years extendable by no more than two additional three year periods, provided members remain independent.
- 2.4 The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director. 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. The Chairman of the Board shall not be Committee Chairman.

## **3 SECRETARY**

The Chief People Officer of the Company or their 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.

## **4 QUORUM**

- 4.1 The quorum necessary for the transaction of business shall be two.
- 4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

- 4.3 Notwithstanding the quorum requirements for the Committee, all members of the Committee should endeavour to attend all meetings of the Committee at which matters of general remuneration policy, nomination policy or the contents of any externally published report or disclosures.

## **5 FREQUENCY OF MEETINGS**

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

## **6 NOTICE OF MEETINGS**

- 6.1 Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 6.2 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.

## **7 MINUTES OF MEETINGS**

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.
- 7.2 The Secretary shall record any conflicts of interest divulged at the meeting.
- 7.3 Minutes of Committee meetings shall be circulated to all members of the Committee and, once agreed, to all members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.

## **8 ANNUAL GENERAL MEETING**

The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

## **9 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:

- 9.1 determine and agree with the Board the framework and broad policy for the remuneration of the Company's Chief Executive Officer, Chairman, the Executive Directors, the Secretary and key senior managers. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the Non-Executive and Executive Directors within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration.
- 9.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that Executive Directors and the senior managers are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Bank. Senior Managers are here defined as those managers at T&C (Band) 3 or above and/or where their remit / responsibility are deemed to be critical.
- 9.3 when setting remuneration policy for directors, review and have regard to pay and employment conditions across the Company, especially when determining annual salary increases.
- 9.4 review exceptional out of cycle proposals by the CEO in relation to the remuneration of the Executive Management team. The Executive Management team are defined as the
  - Chief Executive Officer (Executive Director)
  - MD Retail Banking
  - Chief Commercial Officer
  - MD Commercial Banking
  - MD Business Banking
  - Chief Operating Officer
  - Chief Financial Officer (Executive Director)
  - Chief People Officer
  - Chief Risk Officer
- 9.5 review the ongoing appropriateness and relevance of the remuneration policy;
- 9.6 determine the policy, term, objectives and content of, Executive Director and senior manager service contracts and regularly review these contracts to ensure that they remain aligned to the Committee's overarching remuneration approach and best practice guidance

- 9.7 approve the design of, and determine targets for, any performance-related reward schemes operated by the Company for the benefit of Executive Directors and senior managers and approve the total annual payments under such schemes (in accordance with the provisions in Schedule A of the Code);
- 9.8 Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other delegated senior managers and the performance targets to be used.
- 9.9 determine the policy for, and scope of, pension arrangements for each Executive Director and for senior managers;
- 9.10 ensure that in relation to Executive Directors any payments made are fair to the individual, and the Company, that failure is not rewarded, that the duty to mitigate loss is fully recognised and that severance payments are fully disclosed in the Directors' Remuneration Report;
- 9.11 review and note annually the remuneration trends across the Company and the banking industry;
- 9.12 oversee any major changes in employee benefits structures throughout the Company;
- 9.13 agree the policy for authorising claims for expenses from the directors;
- 9.14 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee; and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

## **10 REPORTING RESPONSIBILITIES**

- 10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 10.3 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 UK Corporate Governance Code as updated from time to time, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders 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 connection with the Company.
- 10.4 Through the Chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

## **11 OTHER MATTERS**

The Committee shall:

- 11.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 11.2 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.
- 11.3 Give due consideration to laws, regulations and any published guidance or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules.
- 11.4 Be authorised by the Board to seek any information it requires from any employee of the Bank in order to perform its duties.
- 11.5 Arrange for periodic review 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.

## **12 AUTHORITY**

- 12.1 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

### 13 Appendix A - Summary of Remuneration Committee decision making responsibilities

Decision	Proposer	Proposal prepared by	Remuneration Committee role	Decision Owner	Decision referred to Board?
Remuneration for Chairman	CEO	CEO and CPO	Rem Committee Chairman advises	CEO and Chair of Remuneration Committee	Yes
Remuneration for CEO	Chairman and Chair of Remuneration Committee	Chair of Remuneration Committee (with support from CPO)	Approve proposals	Chairman and Remuneration Committee Chairman	Yes
Overall remuneration approach and frameworks for Metro Bank plc	CEO	CEO (and CPO)	Committee approves and refers to Board with recommendations	CEO and Remuneration Committee	Yes – for information
In cycle individual pay increases, bonus and share awards for T&C (Band) 4 colleagues	CEO	CEO (with support from CPO)	Ratify CEO proposals – provide check and balance	CEO	No
Out of cycle pay adjustments for T&C (Band) 4	CEO	CEO (with support from CPO)	Ratify CEO proposals – provide check and balance	CEO	No

**Appendix B – Remuneration decisions which do not need to be referred to the Remuneration Committee**

<b>Decision</b>	<b>Proposer</b>	<b>Proposal prepared by</b>	<b>Remuneration Committee role</b>	<b>Decision Owner</b>	<b>Decision referred to Board?</b>
Remuneration for NEDs	CEO	CEO and CPO	Informed	Company Chairman and CEO	No
Hiring terms and conditions for Executive Management team up to £500k total cash compensation (excluding share options)	CEO	CEO and CPO	CEO advises Committee of any hires by email either during or post decision	CEO	No although Board should also be informed of senior hires
Hiring terms and conditions for Executive Management team greater than or equal to £500k total cash compensation (excluding share options)	CEO	CEO and CPO	None	CEO and Chairman	



### Version Control

Version Number	Key Changes	Date Agreed
1.0	First draft – separation of Nomination and Remuneration Terms of Reference	26 <sup>th</sup> Jan 2016 NRC