
SCOTTISH WATER REMUNERATION COMMITTEE TERMS OF REFERENCE

These are the terms of reference of the Remuneration Committee of Scottish Water established by resolution of Scottish Water on 7th December 2016.

1. DUTIES

1.1 The Remuneration Committee of Scottish Water shall have the following duties:-

- (a) to consider the suitability of candidates for the nomination of new or replacement executive members or other Director to the Board of Scottish Water and make recommendations to the Board of Scottish Water in relation to the appointment or removal of an executive member, other Director or the Corporate Secretary;

Subject

- (i) where necessary to Scottish Government endorsement and/or support from regulators
 - (i) to awareness of pay and conditions in other relevant market sectors
 - (iii) to any major changes in Scottish Water organisational structure
- (b) to determine Scottish Water policy in relation to the remuneration in terms of any contract of employment between an executive member or other Director and including where appropriate annual outperformance payments, any short or long term incentive arrangements and to propose specific remuneration packages;
 - (c) to consider any proposals to alter any terms and conditions of employment of executive members or other Directors including any proposed severance payment or payment on termination of employment;
 - (d) to approve any payments in lieu of, or by way of compensation for loss of, any benefit which would or might otherwise have arisen under any incentive plan in place for executive members or other Directors;
 - (e) to approve the provision of any pension benefit to executive members, or other Directors which is additional to , or in excess of, the benefits available under Scottish Water's pension scheme; and
 - (f) to consider such other issues as may be prescribed by the Board of Scottish Water or as the Scottish Ministers may direct from time to time;
 - (g) to make recommendations to the Board regarding the content of the Board's annual report, with respect to remuneration, setting out the Company's policy on executive directors' remuneration, details of individual remuneration and other terms and conditions;
 - (h) to keep under review succession plans for the positions of CEO and other directors of the Executive Leadership Team
 - (i) to ensure maintenance of continuous personal development (CPD) records for non-executive Directors of the Board

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- (i) The Chairman of the Remuneration Committee or the Finance Director nominated on their behalf shall vet and authorise the reimbursement of any claims for expenses from the Chair of Scottish Water.

1.2 The following matters shall be brought to the attention of the Committee:-

- (a) the principal elements of the remuneration packages for senior executives reporting to executive members or other Directors;
- (b) the terms of any compensation package for senior management reporting to executive members or other Directors;
- (c) any significant departure from the standard service contract (from time to time) in respect of such individuals;
- (d) the operation of Scottish Water's long-term incentive plan and any other incentive arrangements;
- (e) any payment in lieu of, or by way of compensation for loss of, any benefit to an executive member or Director which would or might otherwise have arisen under any incentive plan.

2. MEMBERSHIP

2.1 The Remuneration Committee shall consist of no fewer than 3 members of Scottish Water and shall be constituted wholly of non executive members and be chaired by a person appointed by the Board, other than the Chair of Scottish Water or of any other Committee established by Scottish Water. The Chair of Scottish Water shall not be a member of the Committee.

3. ATTENDANCE

3.1 The Chief Executive and Scottish Water Chair shall be invited to attend meetings of the Committee to discuss the performance of executive members and other directors and to make proposals as necessary and shall have the right to address the Committee.

3.2 The Chief Executive will also report to the Committee on significant strategic changes in salary structure and terms and conditions affecting other employees at senior management level.

3.3 The Director for People and/or another senior manager from the People Directorate shall be invited to attend meetings of the Committee in an advisory capacity.

4. AUTHORITY

4.1 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.

4.2 In connection with its duties the Committee may select, set the terms of reference and appoint Remuneration Consultants, at the company's expense.

4.3 Although the Committee can seek the advice and assistance of any of the SW executives, it needs to ensure that this role is clearly separated from their role within the business.

5. ADVISORS

5.1 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6. QUORUM

6.1 The quorum of the Committee shall be two non-executive members and shall otherwise be governed by Scottish Water's Standing Orders from time to time.

7. SECRETARY

7.1 The Group Legal Counsel or designated Senior Lawyer shall be the secretary of the Committee.

8. MINUTES

8.1 The minutes of meetings of the Committee shall be received by the Board.

9. MEETINGS

9.1 The Committee may hold such meetings as it considers appropriate but shall meet at least twice every year.

10. NOTICE OF MEETINGS

10.1 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, any other person required to attend and all other non-executive directors, no fewer than three working days prior to the date of the meeting.