

AHDB Terms of Reference – Remuneration and Nomination Committee

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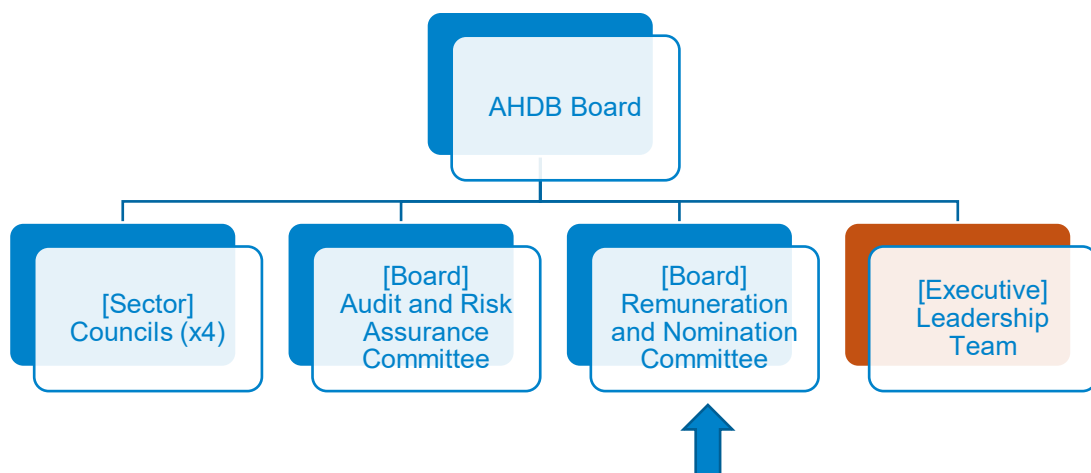


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1. Introduction

The Agriculture and Horticulture Development Board (the AHDB Board) and its committees operate according to recognised precepts of good corporate governance in business: leadership, effectiveness, accountability, and sustainability.

As set out in the Framework Agreement Document, the Board should ensure that effective arrangements are in place to provide assurance on risk management, governance (including health and safety) and internal control.

The Board must set up a committee structure, including an Audit & Risk Assurance Committee and a Remuneration & Nominations Committee, whose remits are specified within the Standing Instructions of the Board.

The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

1.1 Purpose of the committee

The Remuneration and Nomination Committee (the Committee) is tasked with ensuring there are satisfactory systems for identifying and developing leadership and potential; proposing policy on incentive and remuneration structures, retention, and succession planning for the Board, Sector Councils, and the Senior Management Team.

1.2 Standards

The Board and its Committees must have regard for the 'Corporate Governance in Central Government Departments: code of good practice'¹ (the Code) in establishing their standards of governance.

2. Authority

The Committee has authority to appoint consultants and to commission or purchase legal advice, reports, surveys, or information which it deems necessary to ensure informed decision-making. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants and may shape its remuneration policy to the requirements of each role and appointment.

3. Duties

The Committee shall carry out the duties detailed for the AHDB and any major subsidiary undertakings and the group, as appropriate.

3.1 Remuneration

The Committee shall:

- Have delegated responsibility for determining the policy for senior leadership appointees' remuneration and setting remuneration for the Sector Council members and senior management, including the company secretary [or equivalent]. 'Senior management' for these purposes includes the Senior Management Team or the first layer of management below Board level, including the company secretary [or equivalent].
- Establish remuneration schemes that promote long-term engagement by directors and senior leadership that support continued alignment with long-term stakeholder interests, aligned to

¹ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

the AHDB purpose and values, and clearly linked to the successful delivery of the AHDB's long-term strategy

- When determining remuneration policy and practices, consider the UK Governance Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality, and alignment to culture, and that no person shall be involved in any decisions as to their own remuneration
- Keep under review the ongoing appropriateness and relevance of the remuneration policy.

3.2 Nomination

- Regularly review the structure, size, and composition (including the skills, knowledge, experience, and equality, diversity, and inclusion) of the Board and make recommendations to the Board regarding any changes.
- Ensure plans are in place for orderly succession to Board and senior leadership positions, including Sector Councils, and oversee the development of a diverse pipeline for succession, considering the challenges and opportunities facing the AHDB, and the skills and expertise needed on the Board in the future.
- Review and approve the skills matrices proposed by the Audit and Risk Assurance Committee, and Sector Councils.
- Keep under review the leadership needs of the organisation with a view to ensuring the continued ability of the organisation to deliver effectively in the industry.
- Keep up-to-date and fully informed about strategic issues and commercial changes affecting the AHDB and the industry in which it operates.
- Be responsible for identifying and encouraging strong candidates to apply for Board and Sector Council positions.
- Before any appointment is made to the Board, review the skills matrix, and evaluate the balance of skills, knowledge, experience, and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected. Appointments will be a public appointments process.
- Before any appointment is made to the Sector Council, review the skills matrix, and evaluate the balance of skills, knowledge, experience, and diversity on the Council and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected. 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
 - consider candidates on merit and against objective criteria, having due regard to the benefits of diversity on the Sector Council and taking care that appointees have enough time available to devote to the position.
- The proposed appointee to either the Board or Sector Council shall also be required to disclose any other interests that may result in an actual, potential, or perceived conflict of

interest. These must be known to the Board prior to appointment and any future interests that could result in a conflict of interest must not be undertaken without knowledge of the Board.

- Ensure that, on appointment, Board and Sector Council members receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board or Sector Council meetings.
- Review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.
- Review annually the time required from Board and Sector Council members. Performance evaluation should be used to assess whether the Board and Sector Council members are spending enough time to fulfil their duties.
- Facilitate the yearly appraisal of the chair for the Board.
- Ensure that annual appraisals of all Board and Sector Council Members are undertaken and those appraisals are reviewed a) on a sample basis and b) in advance of a decision to reappoint a Board or Sector Council Member
- Work and liaise as necessary with other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly.
- The Committee shall also make recommendations to the Board concerning:
 - Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.
 - The re-appointment of Sector Council members at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required.
 - Any matters relating to the continuation in office of any Board or Sector Council member or other senior leader at any time including suspension or termination of service subject to the provisions of the law and their service contract.
 - The process for appointment of any Senior Manager.

4. Membership

The Committee shall comprise at least three members of the Board.

Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for one additional three-year period, provided the member still meets the criteria for membership of the Committee, i.e., they have the necessary skill and experience, and remain independent.

The Board shall appoint the Committee chair who should be a member of the Board.

4.1 Attendance and quorum

Only members of the Committee have the right to attend Committee meetings. Others such as the Chief Executive Officer, the Human Resources Director, the Head of Human Resources, and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

The quorum necessary for the transaction of business shall be two, both of whom must be independent members.

4.2 Secretary

The company secretary, or equivalent, 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 of all items of business.

5. Frequency and calling of meetings

5.1 Frequency

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

5.2 Calling

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair or any of its members.

Unless otherwise agreed, notice of each meeting confirming the venue, time, and date, together with an agenda of items to be discussed, and supporting papers shall be made available to the Committee and any other person required to attend no later than five working days before the date of the meeting.

6. Minutes of meetings

The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

Once approved, minutes should be published to all other members of the Board unless, exceptionally, it would be inappropriate to do so (such as due to confidentiality considerations).

7. Engagement with stakeholders

The Committee chair should attend the annual levy payer meeting to answer any stakeholder questions on the Committee's activities.

When appropriate, the Committee chair should seek engagement with stakeholders on significant matters related to the Committee's areas of responsibility.

8. Reporting responsibilities

The Committee chair shall report to the Board after each meeting on the topics of its discussion, conclusions, recommendations, and action to be taken.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. Adequate time should be made available for Board discussion when necessary.

The Committee shall produce an annual report to the Board, the relevant parts of which are to be included in the annual report, including:

- the process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline;
- how Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual members, the outcomes and actions taken, and how it has influenced or will influence Board composition;
- the policy on equality, diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives, and,
- the gender and pay balance of AHDB.

If an external search consultancy has been engaged, it should be identified in the annual report alongside a statement about any other connection it has with the company or individual members in accordance with AHDB's policy on related party transactions.

9. Other matters

The Committee shall:

- Have access to sufficient resources to carry out its duties, including access to the company secretariat or equivalent for advice and assistance as required.
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- Consider all relevant laws and regulations, the provisions of the Code and associated guidance, and the requirements any applicable rules, as appropriate.
- At least annually, review the Committee's performance, 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.