



NOMINATION AND REMUNERATION COMMITTEE

TERMS OF REFERENCE FOR 2013/14

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NOMINATION AND REMUNERATION COMMITTEE

TERMS OF REFERENCE FOR 2013/14

Terms of Reference

Reference to the "Company" shall mean Northern Ireland Water Limited

Reference to the "Committee" shall mean Nomination and Remuneration Committee

Reference to the "Board" shall mean the full Board of Directors of the Company

Reference to an "Executive Director" shall mean an Executive Director of the Company

Reference to a "Non-Executive Director" shall mean a Non-Executive Director of the Company

Reference to the "Chair" shall mean the person who chairs the Committee meeting.

1. Authority

- 1.1 Subject to any restrictions imposed by law or by the Board, the Committee is authorised to seek any information it requires from any employee of the Company (or agency staff, contractor or agent) in order to perform its duties.
- 1.2 The Committee shall be entitled to call any employee of the Company to be present at a meeting of the Committee as and when required.
- 1.3 The Committee is authorised to obtain, at the Company's expense and after consultation with the Chief Executive, outside legal or other professional advice on any matters within its terms of reference.
- 1.4 The Committee shall be entitled to sub-delegate all or any of the powers and authorities delegated to it as it deems appropriate.

2. Organisation

Membership

- 2.1 The Committee shall be appointed by the Board.
- 2.2 The Committee shall comprise of at least 2 non-executive directors of the Company who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.
- 2.3 The Committee Chair shall be a Non Executive Director. In the absence of the Committee Chair the other Non-Executive Director present shall chair the meeting. An Executive sponsor shall be appointed to the Committee to coordinate the Committee's activities.

- 2.4 The Committee may ask the Chairman of the Board, the CEO and any relevant Director or senior manager to attend meetings either regularly or by invitation.

Secretary

- 2.5 The Secretary of the Committee shall be the Company Secretary or his nominee.

Frequency of Meetings

- 2.6 The Committee shall meet as and when required and at least 4 times a year.

Notice of Meetings

- 2.7 Meetings of the Committee shall be called by the Chair of the Committee.
- 2.8 The quorum of the meeting is a minimum of two, both must be Non-Executive Directors.
- 2.9 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agreed list of items to be discussed and supporting papers, where required, shall be sent to each member of the Committee and any other person required to attend, no fewer than 5 working days prior to the date of the meeting.

Reports and Minutes of Meetings

- 2.10 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording names of those present and in attendance.
- 2.11 The Chair of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and arrange to minute them accordingly. This shall be a standing item on each agenda.
- 2.12 Minutes of the Committee meetings shall be circulated to all members of the Committee and to the Chair and all members of the Board.

3. Duties

The Committee shall carry out the duties relating to Nomination and Remuneration as outlined at Annex 1 and Annex 2 hereto.

4. Reporting Responsibilities

- 4.1 The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

- 4.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 4.3 The Committee shall make a statement in the annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. It will also produce an annual report of the Company's remuneration policy and practices.

5. Review of Nomination and Remuneration Committee's Terms of Reference

The Committee will:-

- 5.1 Review these Terms of Reference annually and discuss any proposed changes with the Board.
- 5.2 Ensure that the revised Terms of Reference are approved or re-approved by the Board.
- 5.3 Conduct an annual review of its own effectiveness and make recommendations to the Board for improvement.

Duties relating to Nomination Committee

In consultation, as required, with The Department for Regional Development and Department of Finance & Personnel and in line with the requirements of the Management Statement and Financial Memorandum, the Committee shall:-

- i. regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- ii. give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed on the Board in the future;
- iii. be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- iv. before appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - a. use open advertising or the services of external advisers as appropriate, to facilitate the search;
 - b. consider candidates from a wide range of backgrounds; and
 - c. consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- v. keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- vi. keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates;
- vii. review annually the time required from Non-Executive Directors. Performance evaluation should be used to assess whether the Non-Executive Directors are spending enough time to fulfill their duties; and
- viii. ensure that on appointment to the Board, Non-Executive Directors 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 meetings.

The Committee shall also make recommendations to the Board on nomination issues concerning:-

- i. formulating plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chair and Chief Executive (but see iv. below);
- ii. membership of the Audit and Remuneration Committees in consultation with the Chairs of those committees;
- iii. the re-appointment of any Non-Executive Director 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 the knowledge, skills and experience required;
- iv. the continuation (or not) in service of any Director who has reached the age of 70;
- v. the re-election by shareholders of any Director under the 'retirement by rotation' provisions in the Company's articles of association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- vi. any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the company subject to the provisions of the law and their service contract; and
- vii. the appointment of any Director to executive or other office other than to the positions of Chair and Chief Executive, the recommendation for which would be considered at a meeting of the Board.

Duties relating to Remuneration Committee

In consultation, as required, with The Department for Regional Development and Department of Finance & Personnel and in line with the requirements of the Management Statement and Financial Memorandum, the Committee shall:-

- i. determine and agree with the Board the framework on broad policy for the remuneration of the Company's Chief Executive, Executive Directors, the Company Secretary and any other direct reports to the Chief Executive working in a managerial capacity. The remuneration of Non-Executive Directors shall be a matter for the Shareholder (Minister). No Director or manager shall be involved in any decisions as to their own remuneration;
- ii. in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company 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 Company;
- iii. review the ongoing appropriateness and relevance of the remuneration policy;
- iv. approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- v. ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- vi. within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive as appropriate, determine the total individual remuneration package of each Executive Director including bonuses and incentive payments. Also to agree the general organisational reward philosophy and strategy;
- vii. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code and the UK Listing Authority's Listing Rules and associated guidance;
- viii. review and note annually the remuneration trends across the Company or group;
- ix. oversee any major changes in employee benefits structures throughout the Company or group;
- x. agree the policy for authorising claims for expenses from the Chief Executive and Chair. The Chair of the Board will authorise the Chief Executive's

expenses and the Chair of the Remuneration Committee will authorise the Chair's claims.

- xi. ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the UK Corporate Governance Code are fulfilled; and
- xii. 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 fulfill its obligations.