



**THE SCOTTISH RUGBY UNION AND
SCOTTISH RUGBY UNION LIMITED**

**TERMS OF REFERENCE
OF THE
REMUNERATION COMMITTEE
OF
THE BOARD OF DIRECTORS**

APPROVED BY THE BOARD, AS AMENDED, ON: 23 JULY 2020

REMUNERATION COMMITTEE

TERMS OF REFERENCE

1. Constitution

The Board of Directors (the “**Board**”) of Scottish Rugby Union Limited (Registered Number SC132061) (the “**Company**”) has resolved to establish a Committee of the Board to be known as the Remuneration Committee (the “**Committee**”), under and as permitted by the Company’s Articles of Association.

In addition to its powers and responsibilities under the Companies Acts, common law and under the Articles of Association, the Company and the Board also exercise certain powers delegated by Scottish Rugby Union under the Scottish Rugby Union Bye-Laws, which in turn may be delegated by the Board to the Committee under the Articles.

These Terms of Reference shall extend to the Company and to any wholly or majority-owned subsidiaries of the Company which together constitute a group of companies for the purposes of accounting or legal reporting (the “**Group**”) as well as to the exercise of powers provided for or delegated to the Board under the Scottish Rugby Union Bye-Laws.

2. Membership

- 2.1 The Committee shall be appointed from among the non-executive Directors of the Company who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
- 2.2 The Committee shall consist of at least three members, of whom at least one shall be a Council-nominated non-executive director and at least one an independent non-executive director.
- 2.3 A quorum shall be two members, one of whom shall be a Council-nominated non-executive director and the other an independent non-executive director.
- 2.4 The Chair of the Committee shall be appointed by the Board. If by 15 minutes after the scheduled time of commencement of the meeting the Chair is not present, another member of the Committee may act as Chair temporarily, until the arrival of the Chair, provided that the meeting is otherwise quorate.
- 2.5 The members of the Committee shall be notified to the Scottish Rugby Union Council, from time to time.

3. Attendance and Business at Meetings

- 3.1 The Chief Executive, Company Secretary and Director of Human Resources (or equivalent) shall normally be invited to attend all or part of the Committee’s meetings.
- 3.2 The Company Secretary, or with the consent of the Chair of the Committee, a member of staff delegated by the Company Secretary, will attend and act as Secretary to the Committee.
- 3.3 Other Board members, or external advisers may be invited by the Chair or the Committee to attend all or part of any meeting of the Committee.

- 3.4 Meetings may be held in person or by telephone, videoconference or email and shall be confidential.
- 3.5 Committee members shall disclose any actual or potential conflict of interest at the beginning of a meeting or immediately on it arising, to then be dealt with by the Committee as provided for in the Company's Articles of Association. The Committee member involved may require to be recused and/ or play no part in the business of the meeting to which the conflict relates
- 3.6 Any resolution or decision of the Committee in writing (including by e-mail) signed, or in the case of e-mail providing assent, by a majority of the members of the Committee shall be as effective as a resolution passed or a decision made at a meeting of the Committee duly convened and held, and may consist of several documents in like form, each signed or in the case of email, providing assent, by one or more of the members of the Committee.
- 3.7 Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes the Chair of the Committee shall have a casting vote.
- 3.8 If the Chair elects not to use his or her casting vote, the question shall be referred to the Board for determination.

4. Frequency of Meetings

Meetings will be held at least three times a year and otherwise as necessary. Meetings may be called by the Committee Chair or by the Company Secretary.

5. Duties and Responsibilities

The duties and responsibilities of the Committee shall be to: -

- 5.1 determine on behalf of the Board, the Company and Group policy and framework of remuneration and benefits for the Executive Directors, and senior management, senior Coaches and players employed by the Company or other Group companies;
- 5.2 determine specific remuneration, including pension rights, (and changes to such remuneration) and compensation or severance packages on employment or termination of office for each individual Executive Director;
- 5.3 consider and, only if determined by the Committee to be appropriate, approve the Chief Executive's proposals to negotiate and conclude a settlement agreement on termination of employment with **any** employee of the Company, and the terms of that agreement;
- 5.4 consider, and where appropriate approve, the Chief Executive's proposals for senior management (including senior coach) remuneration:
- 5.4.1 of those senior managers and senior coaches (not being Executive Directors) reporting directly to the Chief Executive; and
- 5.4.2 any other employee other than Players,

where the combined annual value of the individual's core remuneration, being basic salary, pension and allowances and any separate image rights payments exceeds such annual equivalent amount as the Board, on the recommendation of the Committee, may from time to time approve;

- 5.5 consider, and where appropriate approve, the Chief Executive's proposals and the terms of any compensation or severance arising on or from the termination or proposed termination by the Company of the employment of individuals referred to in paragraph 5.4;
- 5.6 subject to paragraphs 6.2 – 6.4 consider, and where appropriate approve,
- 5.6.1 the Chief Executive's proposals (based on the Director of Performance Rugby's or equivalent person within the Group's recommendations) for the remuneration payable by the Company or any Group company on recruitment of a player, where the proposed remuneration and payments, including any image rights payments to be separately contracted for, exceeds such annual equivalent amount as the Board, on the recommendation of the Committee, may from time to time approve ;
- 5.6.2 approving the early termination (other than by reason of withdrawal or retirement by the player due to injury, ill health or voluntarily) by the Company of any player contract which had originally been approved by the Committee, and any compensation or severance payable by or to the Company arising from early termination;
- 5.7 advise the Board on any policy for fees, benefits and expenses to members of the Scottish Rugby Council, in their capacity as members of the Scottish Rugby Council;
- 5.8 for those included in paragraphs 5.2 and 5.3, to monitor the operation of the existing or any future performance-related cash-based incentive schemes within the Group and authorise any payments or awards under those schemes which are discretionary or which require an assessment of off-field performance to be undertaken by or on behalf of the Chief Executive;
- (Note: Specific payments to players or coaches which are due against on-field results and which have been contracted for in contracts previously approved by the Committee will not require separate authorisation.)
- 5.9 advise the Board, for determination of the Board as a whole, on the appropriate levels of remuneration for Non-Executive Directors, including remuneration for serving on Board Committees as appropriate, the levels of whose remuneration should reflect the time spent and responsibilities of the roles;
- 5.10 consider each year whether there are any matters to be placed on the agenda for any General Meeting for members' approval;
- 5.11 to undertake such other tasks, projects and activities as may be delegated to the Committee by the Board;
- 5.12 to report annually to the Board on the conduct of the Committee's business and the Committee's effectiveness; and
- 5.13 to review the Committee's Terms of Reference, from time to time, as appropriate.

6. Authority

- 6.1 In carrying out its duties under these Terms of Reference the Committee has authority to and responsibility for:-

- 6.1.1 undertaking research to benchmark remuneration levels with appropriate comparable organisations;
 - 6.1.2 taking into account recommendations on best practice produced by various committees on corporate governance from time to time;
 - 6.1.3 consulting, where appropriate, with the Board Chair and Chief Executive on remuneration matters generally;
 - 6.1.4 ensuring that the remuneration packages needed to attract, retain and motivate Executive Directors and other employees subject to the remit of the Committee of the quality required are sufficient while avoiding paying more than is necessary for this purpose;
 - 6.1.5 ensuring that contractual terms on termination of employment or of any severance or compensation payment which are subject to approval by the Committee, are fair to both the individual and to the Company; and
 - 6.1.6 consulting with the President in his or her capacity as Chair of Council, and with the Board on the policy for payment of fees and expenses (if any) for members of the Scottish Rugby Council.
- 6.2 Responsibility for any player contract below the threshold determined under paragraph 5.6 is delegated to the Chief Executive provided that it can be demonstrated that the proposed contract value can be accommodated within the playing budget of the professional team concerned.
- 6.3 The approval of the Remuneration Committee is required prior to negotiations commencing in respect of proposed player contracts above a maximum contract value (including any image rights or other payments to be separately contracted for) to be fixed by the Board, on recommendation from the Committee, from time to time.
- 6.4 A player contract, whether with the Company or a Group Company, with a value (including any image rights payments to be separately contracted for) exceeding the threshold fixed under paragraph 6.3 will then require the approval of the Board, on recommendation of the Committee.
- 6.5 The Committee is to be:
- 6.5.1 informed of the commencement of a performance improvement process for **any** employee;
 - 6.5.2 informed at the beginning of each season of the intended composition of professional team player squads, key issues arising and budget implications;
 - 6.5.3 consulted in advance on any proposed terms, conditions or circumstances which are considered to be unusual or out of the ordinary, including the possibility of reputational risk, arising from the recruitment of players whose remuneration falls below the threshold set out in paragraph 5.6.1.
- 6.6 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary for the fulfilment of its duties.

6.7 The Committee has access to the advice and services of the Company Secretary and HR Director on all Committee matters.

6.8 The delegation of certain duties and authority to the Committee by the Board shall not prevent the Board from itself performing those duties or exercising that authority.

7. Reporting

7.1 The Secretary shall circulate the minutes of meetings of the Committee to all Committee members and the minutes shall be available, on request for inspection by all other members of the Board from the Company Secretary.

7.2 The Chair of the Committee, or in the Chair's absence, a member of the Committee or the Secretary shall report on the business of a meeting to the Board at the next following Board meeting.

7.3 The Committee shall, if required, prepare for approval by the Board an Annual Remuneration Report to members (to be included in the Annual Report and Accounts) which should include, inter alia, the information on Directors' remuneration required to be disclosed by the Companies Act and other relevant requirements.

7.4 These Terms of Reference may be published by the Company in such form and manner as the Board may decide.

8. Approval of terms of Reference and Amendments

These Terms of Reference, and any amendments to them, shall be subject to the approval of the Board.

Approved by the Board, as amended, on 23 July 2020.

Robert M Howat
Company Secretary