

Scottish National Investment Bank plc

Terms of Reference for the Remuneration and Nomination Committee

1 Constitution

- 1.1 Pursuant to the Scottish Government and Scottish National Investment Bank plc Shareholder Relationship Framework Document, dated November 2020 (the "SRFD"), the Scottish National Investment Bank plc (the "Bank") is expected to have a Remuneration Committee, chaired by a non-executive director.
- 1.2 The Remuneration and Nominations Committee (the "Committee") was constituted as an independent committee of the Board on establishment of the Bank, in accordance with the articles of association of the Company (the "Articles"). The procedures of the Committee shall at all times be compatible, and consistent, with the provisions of the Articles.

2 Role of the Committee and Scope

- 2.1 Pursuant to the SRFD, the function of the Committee is to provide independent oversight of the implementation of the Bank's Pay and Reward Framework, maintaining the principles and approach of the Public Sector Pay Policy in Scotland, and to make recommendations to the Board and Shareholder on matters relating to nominations and succession planning of the Bank's Directors and senior managers.
- 2.2 In discharging its function, the Committee shall also assist the board of directors of the Bank (the "**Board**") in fulfilling its independent oversight responsibilities by:
 - 2.2.1 making recommendations to the Board in relation to the development and implementation of pay and reward policies and practices;
 - 2.2.2 where applicable, recommending approval of pay and reward policies and practices to the Shareholder;
 - 2.2.3 making recommendations on the appointment or removal of Directors and the recruitment of senior managers, taking account of any direction from the Shareholder (as required under the SRFD); and
 - 2.2.4 ensuring appropriate plans are in place for orderly and diverse succession planning for the Board, senior management and other key roles within the Bank.

3 Membership

- 3.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Remuneration and Nomination Committee and Chair of the Committee (the "**Committee Chair**").
- 3.2 All members of the Committee shall be independent non-executive directors. The Committee as a whole shall have competence relevant to its business. The Chair of the Board ("Company Chair") shall not be Committee Chair but may attend meetings by invitation of the Committee Chair.
- 3.3 Appointments to the Committee shall be for a period of up to four years, which may be extended, provided the director still meets the criteria for membership of the Committee.
- 3.4 The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

- 3.5 The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or his or her appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting. Any person nominated to chair the Committee must be a member of the Committee.
- 3.6 Only Committee members and the Secretary have the right to attend Committee meetings. However, the Chief Executive Officer and Chief People Officer will be invited to attend meetings of the Committee on a regular basis and the Committee Chair shall have the discretion to decide if others should be invited to attend all or part of any meeting as and when appropriate.

4 Secretary

The Bank's Company Secretary, or his or her 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 of the relevant issues.

5 Quorum

The quorum necessary for the transaction of business at a Committee meeting shall be two members.

6 Meetings

- 6.1 The Committee shall meet at least four times a year and otherwise as required.
- 6.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Bank's governance, including the Chair of the Board, the Senior Independent Director and the Chief Executive Officer.
- 6.3 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.
- 6.4 Decisions at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Committee Chair shall have a casting vote.
- 6.5 A resolution in writing, circulated with at least two working days' notice, and signed by a majority of Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

- 6.6 The Committee Chair shall attend the Company's annual general meeting or be available at least annually to answer any shareholder questions concerning the Committee's activities.

7 Notice of meetings

- 7.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members if they consider it necessary.
- 7.2 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. All documentation shall be sent in electronic form.

8 Minutes of meetings

- 8.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance and any conflicts of interests declared by the members of the Committee.
- 8.2 Draft minutes of Committee meetings shall be circulated to the Committee Chair and once reviewed, to all members of the Committee.
- 8.3 Final approved minutes of the meetings of the Committee shall be available to the other members of the Board unless, exceptionally, it is determined by the Committee Chair that it is not appropriate to do so. Final signed copies of the minutes of the meetings of the Committee shall be maintained by the Secretary.

9 Duties

The Committee shall, unless required otherwise by regulation, carry out the duties detailed below for the Bank, its subsidiary undertakings and the group as a whole, as appropriate:

9.1 Pay and Reward Framework

On behalf of the Board, oversee implementation of the Pay and Reward Framework that was developed by the Bank and its Shareholder to provide the necessary flexibility to recruit and retain appropriately skilled employees, including:

- 9.1.1 review the design of the Bank's remuneration and incentive schemes to ensure that they promote alignment with shareholder interests including that they:
- i. are designed to promote the long-term success of the Bank and to drive the delivery of the activities and objectives described in the SRFD;
 - ii. structured to link a significant proportion of the remuneration of the members of the Bank's Executive Committee ("**ExCo**") and investment staff to the performance of the Bank;
 - iii. are aligned with the objectives set out in the SRFD;
 - iv. deliver good value for money for the Scottish Government as a whole;

- v. take account of principles of the Fair Work Framework and the four pillars of Transparency, Equality, Diversity and Inclusivity to ensure they underpin the design of all of the Bank's employment policies, processes and procedures, including those relating to grading and pay;
 - vi. take account of remuneration levels for comparable roles within the employment market in Scotland and in other UK public development banks, as well as Public Sector Pay Policy in Scotland; and
 - vii. take into account all factors deemed necessary by the Committee including relevant legal and regulatory requirements and the relevant provisions of the UK Corporate Governance Code for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- 9.1.2 review and approve executive remuneration, including individual salaries for each of the ExCo, to ensure it is aligned with the Bank's purpose and values and appropriately linked to the delivery of the Bank's long-term strategy;
- 9.1.3 monitor operation of the Bank's Long-Term Incentive Plan ("**LTIP**") in accordance with the rules of the scheme, which will involve:
- i. defining membership of the ExCo and investment roles for the purposes of determining eligibility to participate in the LTIP;
 - ii. making recommendations to the Board (and subsequently seeking written consent of the Shareholder) on the performance conditions against which corporate performance will be measured, having regard for the appropriateness of financial, non-financial and strategic measures, including any targets relating to equality, diversity and inclusion;
 - iii. varying or waiving performance conditions in exceptional circumstances at the Committee's discretion;
 - iv. monitor and assess performance against the LTIP performance conditions for those conditions allocated to the Committee;
 - v. determining whether and assessing to what extent performance conditions have been satisfied, taking this and affordability into account then determining the level of LTIP allocation at the end of the performance measurement period;
 - vi. reviewing LTIP allocations at the end of the sustained performance period and any decisions to adjust or withhold allocations on the basis of inadequate or unsatisfactory corporate performance;
 - vii. determining whether to withhold or adjust individual LTIP awards or allocations in response to unacceptable standard of performance and/or behaviours inconsistent with the Bank's values and culture;
 - viii. applying malus and clawback provisions where necessary, with consideration of the Bank's risk tolerance and limits;
 - ix. approving when and if to award "good leaver" status on cessation of employment and determining any pro-rating of relevant LTIP awards or allocations; and

- x. consider from time to time, whether any changes require to be made to the rules of the LTIP for that year and recommend any changes to the Board for approval and, subsequently, to the shareholder for written consent;

in each case, where appropriate, having consulted independently with other Board committees on the performance outcomes and any relevant wider circumstances impacting performance within the committee's respective remit.

9.1.4 in relation to the Bank's Mission Contribution Reward Scheme ("**MCRS**"):

- i. monitor its operation in accordance with the rules of the scheme, and determining the aggregate payment to be made, taking affordability into account; and
- ii. consider from time to time, whether any changes require to be made to the rules of the MCRS for that year and recommend any changes to the Board for approval and, subsequently, to the shareholder for written consent.

9.1.5 monitor that the Pay and Reward Framework is implemented for all Bank employees with due regard for equal pay risk and ensuring pay decisions are fair, transparent and in compliance with equality legislation and employment good practice;

9.1.6 ensure that the Bank participates in the annual Public Sector Pay Process and takes account of any rules or constraints set out in the relevant annual Public Sector Pay Policy when uplifting any pay ranges and/or awarding pay progression increases;

9.1.7 ensure that the Bank carries out an Equal Pay review at such timing and frequency as agreed with the Shareholder, but at least every four years;

9.1.8 consult with and where required by the SFRD seek written approval from the Shareholder on material matters relating to:

- i. severance payments, settlement agreements and redundancy schemes;
- ii. the Group's grade framework and pay ranges;
- iii. the agreed principles of the MCRS; and
- iv. the terms and conditions of employment (including pension arrangements and notice periods) for any member of the ExCo;

9.1.9 Review and approve (subject to prior written approval of the Shareholder) the daily fee rates for non-executive directors, which will be in accordance with and observing any limits in the Articles and shall proportionately reflect the time commitment and responsibilities of the role; and

9.1.10 Pursuant to the SFRD, make an annual recommendation to the Board, allowing it to confirm to the Shareholder, whether:

- i. the Bank continues to operate its remuneration policy in line with the rules agreed with the Shareholder;
- ii. the Group's remuneration practices are appropriate relative to its Missions and financial performance; and
- iii. the Group's remuneration arrangements are appropriate and proportionate when balancing cost and incentivisation.

9.2 Nominations and Succession Planning

On behalf of the Board, the Committee shall oversee the process for appointments (in consultation with the Shareholder) and the development of a diverse pipeline for succession planning of the Board and ExCo, which will involve:

- 9.2.1 Ensuring the Bank has in place and keeps under review appropriate development plans for members of the ExCo;
- 9.2.2 ensuring appropriate plans are in place for orderly and diverse succession planning for the Board, senior management and other key roles within the Bank;
- 9.2.3 promoting, through development, succession planning, workplace policies and practices, diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- 9.2.4 Before any appointment is made by the Board (and subject to any direction from the Shareholder), evaluating the balance of skills, knowledge, experience and diversity of the Board as a whole;
- 9.2.5 in respect of the nomination of Non-Executive Directors to the Board, (as and when new appointments occur and as overseen by the Commission for Ethical Standards in Public Life in Scotland):
 - i. considering and overseeing nominations on behalf of the Board;
 - ii. making objective recommendations to the Board, and the Shareholder, as appropriate, with regard to the skills and experience required for a particular appointment;
 - iii. developing and agreeing, with the Shareholder, the marketing strategy and approach, most appropriate for each appointment; and
 - iv. agreeing with the Board and the Shareholder, a recruitment and assessment panel (including any desirable skills and experience criteria required in respect of an independent panel member), with a member or members of the Committee participating as a panel member as agreed appropriate;

at all times subject to (a) Scottish Minister's approval and in accordance with an appointments process agreed, from time to time, between the Bank and the Shareholder, and (b) the Articles.

- 8.2.5 in respect of the nomination of Executive Directors to the Board (as and when new appointments occur and at all times pursuant to the SRFD and Articles):
 - i. considering and overseeing, in consultation and collaboration with the Chair of the Board, the nominations process;
 - ii. making objective recommendations to the Board, as appropriate with regard to the role profile and the skills and experience required for a particular appointment;
 - iii. agreeing, with the Company Chair, the marketing strategy and approach, most appropriate for each appointment;
 - iv. agreeing, with the Company Chair, a recruitment and assessment panel (and the approach to assess and consider the suitability of candidates) with a member or members of the Committee participating as a panel member as agreed appropriate; and
 - v. Seeking written consent from the Shareholder for the appointment or removal of an Executive Director of the Board from their executive position and/or directorship on the Board;

- 9.2.6 Review the results of the board performance evaluation process that relate to the composition of the Board and succession planning; and
- 9.2.7 Review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending appropriate time fulfilling their duties.

9.3. **Other Governance and Workforce Policies and Practices**

The Committee Shall:

- 9.3.1. Review and approve any policies developed by the People and Culture department and monitor their implementation by management, in accordance with the approved policy framework;
- 9.3.2. Review and advise the Board on the results of any People and Culture related surveys;
- 9.3.3. Review and recommend to the Board for approval any external People and Culture related publications or strategies, including but not limited to the Equality Strategy and Gender Pay Gap Report; and
- 9.3.4. On any subsidiary company obtaining financial regulated status (e.g., FCA authorisation), the Committee will oversee any significant matters arising as a result of that regulated status, to the extent they may impact on the Group's employees and/or policies developed by the People and Culture department, including (but not limited to) oversight (at least annually) that 'fit and proper' assessments have been undertaken by the Group appropriately.

9 Reporting responsibilities

- 9.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.2 The Committee shall compile a report on its activities to be included in the Bank's annual report and accounts. The report should meet the requirements of the UK Corporate Governance Code and also explain any non-compliance with the relevant provisions of the UK Corporate Governance Code.
- 9.3 The Committee shall also formally report to the Board on the results of its own committee effectiveness review.
- 9.4 The Committee, through its Chair, will report to the Board matters that should be brought to the attention of the Board including instances where the Committee has been unable to reach full agreement together with any recommendations which require Board approval or action.

10 Other matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 10.2 be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;

- 10.3 give due consideration to all relevant laws, regulations, the provisions of the UK Corporate Governance Code and published FRC guidance and any other rules, as appropriate;
- 10.4 oversee any investigation of activities which are within its terms of reference;
- 10.5 work and liaise as necessary with other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- 10.6 ensure that a periodic evaluation of the Committee's own performance is carried out; and
- 10.7 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.

11 Authority

The Committee is authorised to:

- 11.1 request the attendance of any employee at a meeting of the Committee as and when required and/or seek any information it requires of the Bank in order to perform its duties;
- 11.2 obtain, at the Bank's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.3 delegate any matter or matters to a sub-committee or person as it deems appropriate; and
- 11.4 have the right to publish in the Bank's annual report, details of any issues that cannot be resolved between the Committee and the Board.

These Terms of Reference were reviewed and approved by the Board of Scottish National Investment Bank plc on **5 December 2025**

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