

**UNIVERSITIES SUPERANNUATION SCHEME LIMITED (TRUSTEE COMPANY)
REMUNERATION COMMITTEE (THE “COMMITTEE”) TERMS OF REFERENCE**

1 Establishment and Purpose

The committee is established by a resolution of the trustee board (the “board”) under the authority contained in article 50 of the Articles of Association to ensure that remuneration arrangements for the trustee company and its investment subsidiary, USS Investment Management Limited (USSIM) (together, the group):

Support the strategic aims of the trustee company and enable the appropriate recruitment, motivation and retention of group employees in both Liverpool and London by:

- (a) establishing a clear link between reward and performance; and
- (b) complying with the requirements of regulatory and governance bodies, satisfying the expectations of stakeholders and remaining consistent with the expectations of the employee population.

2 Authority

The committee is authorised by the board to obtain outside legal or independent professional advice, at the trustee company’s expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3 Membership

- 3.1 The committee chairman and members are appointed by the board having received advice from the governance and nominations committee.
- 3.2 The most appropriate individual with the requisite skills for the role will be appointed chairman and will be someone other than the chairman of the board.
- 3.3 Membership of the committee is not fewer than four or more than seven members, three of whom will constitute a quorum.

4 Attendance & Attendees

Meetings will normally be attended by the group chief executive officer and the head of HR. Other staff will be invited to attend as determined by the Group CEO and agreed by the committee chairman.

5 Meetings

The committee will meet twice yearly, and by exception as required.

6 Support

The company secretariat will be responsible for providing all relevant secretarial services to the committee.

7 Accountability and reporting

Minutes of meetings will be issued to all committee members and attendees and made available to board members. The committee is accountable to the board and will provide it with the following:

- 7.1 a report following each committee meeting; and
- 7.2 an annual report disclosing details of committee decisions and activities in the year, for inclusion in the trustee company’s Report and Accounts.

8 Responsibilities

Responsibilities are delegated to the committee by the board in line with its purpose. The scope and authority of each responsibility is determined by the board and defined below:

8.1 **The committee has the following responsibilities and, subject to paragraph 8.3, has full delegated authority for these matters:**

- (a) Exercise oversight over the total cost of compensation and its relationship to performance:
 - for USSIM – annually agree total compensation figures reflecting performance value added in accordance with an agreed methodology;
 - for the trustee company – annually agree total compensation amount by reference to market conditions and in accordance with the total budget monies approved by the board; and
 - monitor, review and approve the mechanisms and processes for setting bonuses including any discretionary element.
- (b) Monitor and ensure the group's compliance with legal and regulatory requirements in so far as they relate to remuneration;
- (c) Monitor and review the effectiveness of group strategy for the recruitment, retention and motivation of its employees;
- (d) Provide a report to the board annually listing the 20 highest paid employees of the group (USS Ltd and USSIM) and the Group CEO if not already included in the list;
- (e) Review and approve remuneration policies and statements required by regulatory bodies. For FCA remuneration policies and statements, this will be carried out in conjunction with the USSIM board;
- (f) Ensure that the risk in remuneration strategy, policy and practices is adequately considered and that processes are in place to control unhealthy risk-taking;
- (g) Consider and, if it so decides, approve recommendations from the executive for exceptional changes, over and above the existing remuneration policies, to the remuneration of existing or proposed staff;
- (h) Approve, before payment, of any proposed severance, bonus or bonus buyout payments over 100% of salary which would deviate from any standard policies for quantifying and paying bonuses e.g. certain categories of bonus payments to USSIM staff. Separate arrangements for the approval of a severance payment or package for the USSIM CEO are set out in 8.1 (p). All bonus buyouts not requiring individual approval will be reported to the committee annually. For USSIM staff:
 - any discretionary bonus award over 100% of the Target Bonus Factor for existing staff shall be approved by the USSIM board and by the committee;
 - discretionary bonus awards for new joiners over 100% of the Target Bonus Factor need to be agreed between the chairman of USSIM and the chairman of the committee; and

- any bonus buyout payment irrespective of the amount in question shall be agreed between the chairman of USSIM and the chairman of the committee.
- (i) Oversee the periodic review of USS Ltd directors' fee structure, consider the outcomes and make appropriate recommendations to the board and to the JNC as required;
 - (j) consider any proposed changes to individual fees for current and prospective USS Ltd directors that diverge from the agreed fee structure and make recommendations to the board and to the JNC as required;
 - (k) oversee the periodic review of USSIM non-executive directors' fee structure and consider any proposed changes to individual fees for current and prospective USSIM non-executive directors that diverge from the agreed fee structure, taking into account the views of the USSIM board, and make recommendations to the board (and, in accordance with Rule 69, also to the JNC where a director is also a member of the board or relevant committee) for approval;
 - (l) The remuneration package on the appointment of USSIM CEO will be agreed by the chairman of USSIM and the Group CEO, in consultation with the chairman of the committee;
 - (m) The remuneration package on the appointment of Group CEO will be agreed by the board having received a recommendation from the chairman of the committee and the chairman of the board;
 - (n) Salary increases and annual award(s) for the USSIM CEO shall be agreed by the chairman of USSIM and the Group CEO. Where increases or awards are in excess of remuneration policy provisions these will be recommended to the board for approval;
 - (o) Salary increases and annual award(s) for the Group CEO shall be agreed by the chairman of the board and the Chairman of the committee. Where increases or awards are in excess of remuneration policy provisions these will be recommended to the board for approval;
 - (p) Following discussions between the chairman of USSIM and Group CEO, severance payment or package of USSIM CEO shall be considered by the USSIM board before a proposal is submitted to the committee, and if approved, for recommendation to the board; and
 - (q) Severance payment or package of Group CEO, shall be discussed between the chairman of the board and chairman of the committee before a proposal is submitted to the committee, and if approved, for recommendation to the board.

8.2 The following decisions are reserved by the board having received recommendations from the committee.

- (a) approving any policy or procedural change that is not in line with the strategic and business plans; and
- (b) approving budgetary allocation for staff costs.

8.3 Any decisions taken under the delegated authority detailed in point 8.1 must be:

- (a) in accordance with the agreed strategic and business plans;
- (b) in line with relevant regulatory and statutory requirements; and
- (c) contained within the appropriate budget.

Where the above conditions are not satisfied, the committee should discharge its responsibilities by making a recommendation to the board.

8.4 **Other Matters**

- (a) The committee will not normally be involved in the allocation of remuneration (including bonuses) to individual staff members.
- (b) The committee shall 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.
- (c) The committee shall arrange for periodic reviews of its own performance and, 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.