

People Committee

Terms of Reference

Purpose

The purpose of the People Committee (the “Committee”) is to provide the FRC Executive with challenge, constructive dialogue and strategic direction on issues relating to the appointment and recruitment, remuneration, talent management and welfare of FRC staff and non-executive members and to take high-level decisions on such issues as necessary.

Regulations and guidances

The Committee will have full regard to all relevant legal and regulatory requirements. This will include all applicable EU and UK law (including Gender Pay Gap Regulations and the Public Sector Equality Duty), the principles and provision of the UK Corporate Governance Code and associated guidances, the Governance Code for public appointments and public sector diversity targets, the principles of Managing Public Money and the Civil Service Pay guidelines.

In carrying out the responsibilities set out in these terms of reference, the Committee will have due regard for the benefits of diversity and the desire to promote equal opportunities within the FRC. Diversity considerations will include gender, age, ethnicity, background, sexual orientation, disability and religious beliefs.

1. Membership

- 1.1. The Committee is a Governance Committee of the Board.
- 1.2. Membership shall comprise a minimum of three independent non-executive directors, appointed by the Board and shall include the Board Director with designated responsibility for staff engagement.
- 1.3. The Chair of the Board may serve as a member of the Committee, if independent on appointment, but shall not be the chair of the Committee.
- 1.4. Appointments to the Committee shall be for a period of up to three years, which may be extended for additional terms by approval of the Board. Termination of a non-executive Board director’s term on the Board will also result in the termination of their membership of the Committee.

2. Quorum

- 2.1. A meeting shall be quorate when at least two members of the Committee are in attendance at the same time and are able to speak and vote.
- 2.2. Decisions of the Committee will be taken by majority. In the case of equal votes, the Chair of the Committee will have a casting vote or can refer the matter up to the full Board for further consideration.

3. Secretary

- 3.1 The Company Secretary or his/her nominee shall act as Secretary of the Committee (the Secretary).

4. Frequency of meetings

- 4.1. The Committee shall meet as required to fulfil its remit and will meet at least twice within each calendar year. The Committee may consider and decide urgent matters

through correspondence. Written Resolutions of the Committee shall be recorded by the Secretary.

5. Attendance at Meetings

- 5.1. Only members of the Committee have the right to attend Committee meetings. However, relevant executive directors or their nominees will normally be invited by the Chair of the Committee to attend meetings.
- 5.2. Other post-holders, Senior Advisors, members of the Advisory Panel and external advisors may be invited by the Chair to attend all or part of any meeting, as and when appropriate.
- 5.3. The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- 5.4. Observers may be invited to meetings.

6. Notice of Meetings

- 6.1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, / means time and date together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee no later than 5 working days before the date of the meeting.

7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all members of the Committee and, the Board, unless a conflict of interest exists.
- 7.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8. Authority

- 8.1. The Committee is authorised:
 - a. to investigate any matter within its terms of reference;
 - b. to appoint external advisors, consultants or other service providers on any matter within its terms of reference; including legal, advertising, search and recruitment, remuneration or board evaluation
 - c. to commission or purchase any reports, surveys or information which it deems necessary;
 - d. to seek any information it requires from any employee of the FRC in order to perform its duties.

9. Responsibilities

9.1. Appointments

- a. Regularly review the structure, size and composition of FRC talent (staff, Board and members of the governance structure) having regard to the environment in which the FRC operates and the skills and experience that are needed to fulfil the organisations' responsibilities and current and foreseeable strategic priorities.

- b. Use the consideration undertaken in (a) to inform succession planning and:
 - i. Formulate recommendations to BEIS in respect of appointments to the FRC Board.
 - ii. Make recommendations to the Board in respect of appointments to the Audit and Risk Committee.
 - iii. Make recommendations to the Board regarding the appointment and reappointment of members of the Regulatory Committees.
- c. Support the Secretary of State for the Department for Business, Energy and Industrial Strategy (“BEIS”) in the recruitment and appointment of non-executive members of the Board as required.
- d. Having regard to relevant regulations, guidance and diversity considerations oversee the Executive’s implementation of a thorough, consistent and fair process for staff recruitment.
- e. Having regard to relevant regulations, guidance and diversity considerations approve the selection process for members of the governance structure, including the use of open advertising and/or the services of external recruitment advisers as appropriate.
- f. Appoint and reappoint Senior Advisors and members of the Advisory Panel.
- g. Appoint an independent Appointments Committee (of at least four members) to consider appointments and reappointments to the Tribunal Panel.
- h. In conjunction with the Conduct Committee, appoint the Convener to the FRC’s Accountancy and Actuarial Schemes, the Auditor Regulatory Sanctions Procedures and the Audit Enforcement Procedure.
- i. Oversee the selection process for the appointment of members of the Executive Committee, the Company Secretary and Executive Counsel.
- j. Receive notifications from the CEO on any proposed appointments to Senior Management positions.
- k. Ensure that that all appointments to the governance structure receive a formal letter of appointment setting out what is expected of them in terms of time commitment.

9.2. *People policy and talent management*

- a. Support the Chair of the Board in establishing key objectives and responsibilities for the CEO and non-executive members of the Board based on the FRC’s current strategy.
- b. Ensure an annual review of the effectiveness of the Board and wider governance structure is undertaken and is facilitated externally at least once every three years.
- c. Oversee the Executive’s implementation of a thorough, consistent and fair process for performance reviews, promotion, talent management and learning and development opportunities.
- d. Obtain assurance that the Executive’s management of staff is effective and compliant with relevant law and regulations.
- e. Provide effective channels for staff to engage with the Board, which includes the identification of a Board Director with designated responsibility for workforce engagement and engagement with any staff consultative or representative group.
- f. Consider the culture of the organisation and make recommendations to the Board as appropriate.
- g. Keep under regular review, and approve any significant changes to the FRC’s staff recruitment processes, work-place practices and policies. The Committee should be satisfied that these process, practices and policies remain consistent with the FRC’s strategy and values and long-term sustainable success.
- h. Review recommendations from the Pension Committee for any significant changes to the FRC Group Pension Plan and make recommendations to the Board as appropriate

- i. Receive regular high-level updates from the Executive regarding staff matters¹.

9.3 *Remuneration*

- a. Determine and keep under review the annual fees paid to members of the governance structure ensuring recommendations are informed by reliable, up-to-date information from comparator organisations.
- b. Oversee and provide a strategic steer on the development and maintenance of the framework or broad policy for the remuneration of all FRC staff (including any incentive policy).
- c. Oversee submission of the annual remuneration review ensuring the review adheres to the terms of any public sector pay controls and is consistent with agreed policy.
- d. Recommend to the Board the total individual remuneration package (including any bonuses) of the members of the Executive Committee not including the Chief Executive. The recommendations will follow consultation with the FRC Chair and/or Chief Executive as appropriate and any individual package approved by the Board will be subject to any approvals required under the public sector pay controls.
- e. Establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee.
- f. Regularly review expenses claims and gifts and hospitality disclosures from members of the Executive Committee and the Board.

9.4 *Conflict management*

- a. Review the disclosed interests of members of the FRC Board and its Committees bi-annually, alongside consideration of other factors which could impede a member's impartiality or objectivity.
- b. Ensure that a Register of the Interests is maintained and published as set out in the provisions of the Code of Conduct.
- c. Consider the external appointments undertaken or proposed by members of the FRC's governance structure and consider whether that appointment could:
 - i. impact adversely on that member's ability to devote sufficient time to the role
 - ii. give rise to a conflict of interest; and/or
 - iii. give rise to the risk of reputational damage to the FRC.
- d. Receive notification if any Board or Committee member becomes subject of a disciplinary sanction by any professional or other body or tribunal, if found guilty of an offence by any court, declared bankrupt, enter into an arrangement with creditors, or are disqualified from acting as a Member.
- e. Refer any ongoing potential conflict of interest concerns in respect of FRC Board Members to BEIS if appropriate.

9.5 *Other*

- a. Approve criteria for procuring outside legal or professional advice as necessary to fulfil itself responsibilities within these Terms of Reference. Criteria shall have due regard for the advisor/consultant's independence.

¹ Including gender pay gap statistics, recruitment and vacancies, staff training offers, divisional restructures, internal promotions, ongoing grievances, whistleblowing disclosures and disciplinarys.

- b. Ensure all information received by the Committee is handled in accordance with current information security, handling and transparency regulations.
- c. Support and advise the Accounting Officer in the discharge of their responsibilities.
- d. Keep up-to-date with relevant developments, laws and regulations and best practice.
- e. Work with other Committees of the Board as necessary.

10. Reporting

The Committee shall:

- 10.1. Report to the Board at each Board meeting which follows a Committee meeting, providing a summary of the Committee's activities and on the frequency of, and attendance by members at meetings, resolutions and recommendations.
- 10.2. Provide a report on the activities and decisions taken by the Committee during the reporting period within the FRC's Annual Report.
- 10.3. Provide a statement on the Board's policy on diversity and inclusion, including any measurable objectives that have been set for implementing the policy and progress on achieving those objectives in the FRC's Annual Report.
- 10.4. Report on the process used to appoint any external advisors and consultants for matters within the Committee's remit, identifying consultants used and stating whether they have any other connection with the FRC within the Annual Report.
- 10.5. Consider any risks to the FRC identified through the work of the Committee and feed these into the FRC's risk register and principal risks on a regular basis.

11. Other

- 11.1. The Committee shall review its own performance and terms of reference and report to the Board and shall implement and/or recommend any necessary changes.

Approved by the Board with effect from 1 April 2022.