



Bermuda Hospitals Board

EXECUTIVE COMPENSATION SUB-COMMITTEE Terms of Reference

1. DEFINITIONS

“BHB” means the Bermuda Hospitals Board;

“the Board” means the Board of Directors;

“Board Member” means person appointed by the Minister to serve on the Board;

“the Act” mean the Bermuda Hospitals Board Act 1970;

“Executive Team Member” means a member of BHB’s Executive Management Team;

“Executive Member of the Board” means a Board Member who sits on the Executive Committee and has been appointed as Chair of one or more sub-committees of the Board;

“Non-Executive Member of the Board” means Member of the Board not serving on the Executive Committee;

“Co-Opted Member” means an external subject matter expert co-opted from the community who has been appointed to the membership of one or more of the Board’s Committees who may vote in an advisory capacity on any matter put before the Committee;

“Gazetted Member” means a Member of the Board who has been formally appointed by the Minister of Health;

“the Committee” means the Executive Compensation Sub-Committee. The Board’s Committees are advisory by nature. Decisions rendered / votes cast by Committee Members are therefore presented to the Board as recommendations.

2. CONSTITUTION

In accordance with the Bermuda Hospitals Board Act 1970 (the “Act”), and pursuant to section 26 (4) of the Act, BHB hereby establishes a sub-committee of the Executive Committee to be known as the Executive Compensation Sub-Committee (the “Committee”), which shall be governed by the Terms of Reference set forth below.

The Committee is hereby authorized by the Board to investigate activities within its Terms of Reference, as well as any matters which have not specifically been set out in its Terms, but which require investigation by Members of the Committee. It is further authorized to seek any information it requires from any employee, and all employees are directed to cooperate with any requirements made by the Committee.

The Committee is authorized by the Board to obtain outside legal or other professional advice and to retain other advisors with relevant experience and expertise if it considers this necessary to carry out its duties.

Committee Members agree to respect all policies and procedures which protect BHB's intellectual property and patient confidentiality.

3. PURPOSE AND SCOPE

The Committee provides the Executive Committee with the information required to fulfill its fiduciary responsibility to safeguard the organization. It ensures that the Executive Committee fully understands the process by which executive compensation decisions are made in relation to market practices, regulatory guidelines, and the established compensation philosophy. The Committee can be issued authority by the full Executive Committee to make executive compensation decisions. However, the full Executive Committee should oversee the delegation of this function and bears the ultimate responsibility for ensuring sound decision making in this area.

The main purposes of the Committee are to:

- Ensure high levels of executive performance and contribution, inclusive of PMAs;
- Approve policies about executive compensation;
- Provide oversight to the Board's Compensation Strategy and Program;
- Ensure executive compensation is market competitive.

4. DUTIES AND RESPONSIBILITIES

The main duties and responsibilities of the Committee include, but are not limited to the following:

- Recommend to the full Executive Committee for approval, a compensation philosophy and incentive plan that provides a framework for determining executive base pay, incentives, and benefits;
- Periodically review the appropriateness of the compensation philosophy to ensure it positions the organization to its comparator market;
- Establish, with the full Executive Committee, a written policy specifying the Committee's authority and any decisions that require approval/ratification by the full Executive Committee;
- Identify Committee operating guidelines that support the:
 - Determination of Chief Executive Officer (CEO) compensation
 - Approval of the CEO's recommendations for the compensation of key executives
 - Establish CEO performance objectives and evaluate CEO performance
 - Ensure the effective administration of executive compensation activities such as incentive plans, special benefits, and severance provisions

- Educate the full Executive Committee regarding its executive compensation responsibilities
- Have overall responsibility, through oversight, to review all of BHB's compensation and benefit plans
- Administer the executive compensation program consistent with the compensation philosophy
- Review and approve executive compensation that is fair and that is defensible
- Consider public and community interpretation within the context of compensation decisions
- Ensure that formal and timely performance assessments are conducted for the CEO and other senior executives
- Engage an independent compensation firm to provide education, advice, and comparability data, as may be required
- Engage other professional advisors (e.g., legal, accounting, and tax) as needed, ensure no conflict of interest
- Have oversight on behalf of the Executive Committee of any PATI requests related to compensation.

Additional duties may include:

- Establish performance measures for the Executive Team that align with the Board's Corporate Strategic Plan;
- Review and approve salary increases and applicable pay structures;
- Commission a compensation review of all Executive Group (including physicians) positions at least once every three years to ensure market competitiveness;
- Receive a report from the CEO on the performance and incentives as awarded to members of the Executive Group;
- Ensure that all compensation matters comply with statutory legislation, including the Act;
- Manage all Executive Group Separation Agreements in consultation with the General Counsel;
- Oversee executive recruitment agreements, Physician Compensation and the Medical Staff Committee Compensation with delegated authority to the Human Resources & Engagement Committee;
- Co-ordinate the hearing of appeals regarding compensation awards or adjustments by the Executive Committee Chair or his designate;
- Prepare an annual report to the Executive Committee outlining the Committee's activities/accomplishments and assessing its performance;
- On an annual basis, review and re-assess the adequacy of these Terms of Reference and recommend to the Executive Committee for approval.

5. AUTHORITY

The Committee is authorised by the Executive Committee to approve remuneration and contracts for all Executive level employees of the Board not covered by Union agreements. This will include the mandated executive positions and the Executive Group (i.e., the Executive Team, Vice Presidents, Non-Union positions earning base pay greater than \$150,000 per annum, Medical Staff Committee and Physicians). The Committee is authorised by the Executive Committee to obtain outside professional advice and expertise if it considers this necessary and authorized to manage requests made for compensation disclosure. The Committee will observe the requirements of the Bermuda Hospitals

Board Act (1970) and subsequent amendments. The Committee, as may be required may approve recommendations electronically under the authorization of the Executive Committee Chair.

6. DELEGATION OF AUTHORITY

Upon acceptance of these Terms of Reference, the Executive Committee shall delegate, except where specifically excluded by the Act or by the Board, the responsibility for setting the terms and conditions of employment for the Executive Group to the Executive Compensation Sub-Committee.

7. CONDUCT OF MEETINGS

7.1 Membership

The Committee shall be appointed by the Executive Committee annually. All Members may exercise the right to vote on any matter tabled before the Committee. Members may be removed at any time by the voting Board Members of the BHB if necessary or appropriate. The Chair of the Board will be Chair of the Committee.

The Committee shall be made up of the following:

- Board Chair
- Human Resources & Engagement Committee, Chair
- Pensions Sub-Committee, Chair
- Co-Opted Member per par. 7.3 below

At least one member should be a seasoned HR Professional.

7.2 Attendance

The CEO will normally attend meetings, supported by the Chief Operating Officer and/or the Vice President – HR. The personal assistant to the CEO or Company Secretary will arrange for the taking of minutes of the meetings and appropriate support to the Chair and Committee members.

Other Executive Team members may attend by way of invitation and will be non-voting. The Committee may decide to meet with just Committee Members present.

The Committee may invite any subject matter expert whether internal or external to attend all or part of any meeting in whatever capacity the Chairman of the Committee deems appropriate.

7.3 Appointments

Co-Opted Members may be nominated by the Committee Chair and should be vetted and approved by the Executive Committee and ultimately the Board. Co-Opted Members may serve for a period of one year, unless otherwise agreed by the Executive Committee.

The Board may exercise its discretion to re-appoint Co-Opted Members for an additional term. The Board's Committees are advisory by nature; decisions rendered / votes cast by Committee Members are therefore presented to the Executive Committee as recommendations.

7.4 Quorum and Voting

The quorum for all Committee meetings will be satisfied where two Members are present.

Every question or matter to be determined by the Committee at any committee meeting shall be decided by way of a majority vote. In the event of an equal division of votes on any questions or matters, the Chair of the meeting may give a second casting vote. A Member may abstain from voting on a matter in which that Member has a financial or personal interest.

7.5 Frequency

Meetings shall be held as necessary but at least 2 times per year. The Chairman or CEO may convene additional meetings at any time to deal with matters within the remit of the Committee.

7.6 Resolutions in Writing

The Board hereby confers on the Committee powers to make decisions by way of written resolution. A copy of the resolution(s) shall be circulated to all Members who would be entitled to attend a meeting and vote. The date of the resolution is the date when the resolution is signed by the last member to sign.

Appendices

Appendix A – Executive Compensation Guidelines

Appendix B – Total Compensation Template