

## Remuneration Committee Terms of Reference

### 1. Membership

1.1. The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Chair of the Board may also serve on the Committee as an additional member if they were considered independent on appointment as Chair. Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee.

1.2. The Chair of the Committee shall be a Non-Executive Director appointed by the Board who has served on the Remuneration Committee for at least 12 months.

In the absence of the Chair, the remaining members may appoint another Non-Executive Director to chair a particular meeting. However, the Chair of the Board may not chair a meeting of the Committee.

1.3. The current Committee members are:

L McKenzie – Chair  
A D Morgan  
M Evans

Only members of the Committee have the right to attend committee meetings. However, other individuals may be invited to attend for all or part of any meeting, as and when appropriate.

1.4. The Head of People & Culture or their nominee shall act as Secretary to the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

1.5. The Chief Risk Officer will attend at the Committee's request to advise on risk related issues.

1.6. A member of the Governance team will attend to take minutes of meetings. Draft minutes of Committee meetings shall be circulated to all members of the Committee.

### 2. Quorum

The quorum necessary for the transaction of business shall be two.

### 3. Frequency of Meetings

The committee shall meet at least twice a year and otherwise as required. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any of its members.

### 4. Authority

4.1 The Committee is authorised to investigate any activity within its terms of reference and seek any information it requires from any employee of the Society in order to perform its duties.

- 4.2 The Committee is authorised to obtain, at the Society's expense, external legal or other professional advice on any matters within its terms of reference.
- 4.3 The Committee has full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Society. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.

## 5. Responsibilities

The Committee shall:

- 5.1 ensure that Society remuneration is consistent with regulatory requirements, the Society's financial situation and future prospects, taking best practice and guidance as well as account of remuneration trends, regulatory guidance and risk.
- 5.2 have delegated responsibility for determining remuneration for all Executive Directors and other members of the Executive and senior management, including pension rights, bonus schemes and other benefits included within their remuneration package. This is in line with the view that no one should decide their own remuneration. The Chief Executive Officer and any other Executives or senior managers will withdraw for this item.
- 5.3 have delegated responsibility for determining remuneration for the Chair. This is in line with the view that no-one should decide their own remuneration. The Society Chair will withdraw for this item. The Chair of the Board and the Chief Executive Officer should determine the remuneration of the non-executive directors. This is in line with the view that no-one should decide their own remuneration.
- 5.4 design remuneration policies and practices to support strategy and promote longterm sustainable success, with executive remuneration aligned to Society purpose and values, clearly linked to the successful delivery of the Society's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or awards under appropriate specified circumstances.
- 5.5 in determining remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, best practice and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Society successfully without paying more than is necessary, having regard to views of stakeholders.
- 5.6 review the ongoing appropriateness and relevance of the remuneration policy.
- 5.7 within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive, as appropriate, determine the total individual remuneration package of each Executive Director, the Chair and senior managers including bonuses and incentive payments. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of Society and individual performance, and wider circumstances.
- 5.8 approve the design of and determine targets for any performance related pay scheme operated by the Society for the Executive team and approve the total annual payments made under such schemes, having paid due regard to the potential impact on conduct and delivering

fair outcomes for our customers.

5.9 review workforce remuneration and related policies.

5.10 Work and liaise as necessary with other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly. Work with the Risk Committee in their role in undertaking oversight on specific risk or conduct elements to the bonus incentive schemes in operation across the Society.

## 6. Reporting

6.1 The Committee Chair shall report to the Board after each meeting on the nature and content of its discussion, recommendations and action to be taken.

6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and adequate time should be available for Board discussion when necessary.

6.3 The Committee shall provide a description of its work to members as part of the Committee Report to members in the Annual Report and Accounts.

6.4 The Committee shall produce an annual Remuneration Policy statement as required by the Regulators and obtain an independent second line opinion as to the policy's appropriateness.

6.5 The Committee shall produce a report to Members on Directors Remuneration policies and practices as part of the Annual Report & Accounts, together with a Summary Report produced as part of the Summary Financial Statements. The Report will be presented and will be subject to an advisory Members vote at the AGM.

6.6 If the Committee has appointed remuneration consultants, the consultant should be identified in the Annual Report alongside a statement about any other connection it has with the Society or individual directors.

## 7. Other

The Committee shall,

7.1 at least once a year, review its own performance, 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.

7.2 give due regard to applicable laws and regulations, including the PRA and FCA's Principles and Rules and to the recommendations in the UK Corporate Governance Code, as appropriate.

7.3 have access to sufficient resources in order to carry out its duties, including access to the Governance team for advice and assistance as required.

7.4 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.