

## **REMUNERATION COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. Authority**

The Board has established a committee known as the Remuneration Committee to assist it in fulfilling its oversight and governance responsibilities in connection with remuneration activity undertaken by the Society.

The Remuneration Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference and is authorised by the Board to obtain, at the Society's expense, outside legal or other professional advice on any matters within its terms of reference. In addition, it is authorised to obtain such information and to liaise with any functions or other Committees within the Society as may be required to carry out the duties set out in these Terms of Reference.

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.

#### **2. Purpose**

The role of the Remuneration Committee is to assist the Board to fulfil its responsibility to the Society's members to ensure that remuneration policy and practices of the Society reward fairly and appropriately, with a clear link to corporate and individual performance and support the purpose, long-term strategy and values of the Society, whilst, having regard to statutory and regulatory requirements as well as economic and external trends.

In particular, the Committee shall consider:

- Remuneration policies, including base pay, long and short term incentives (including variable pay) for Society employees;
- The importance of achieving consistency in remuneration practice and its cost across the Society;
- Recruitment, service contracts and severance policies for Executives and Executive Directors;
- Pension and superannuation arrangements and other benefits; and
- The engagement and independence of external remuneration advisers.

No person shall participate in decision making by the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.

#### **3. Meetings and membership**

Chair	The Committee will be chaired by a Non-Executive Director (other than the Chair of the Board) as appointed from time to time by the Board with a minimum of one year's prior service on a remuneration committee.
Membership	The Committee will comprise at least four Non-Executive Directors. The Committee may operate with a vacancy. The Chair of the Board may serve on the Committee if considered independent on appointment as Chair of the Board but will not be present at any discussion by the Committee relating to the Chair of the Board's fees. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations & Governance Committee.
Attendance	Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Chief People Officer and external advisers may be invited to attend meetings when appropriate and necessary and with the agreement of the Committee Chair.

Frequency	The Committee will meet four times annually as a minimum and otherwise as required. The Chair of the Committee may convene meetings of the Committee at any time to consider any matters falling within these terms of reference.
Quorum	Meetings of the Committee will be quorate if there are present at least three members. If the Chair of the Committee is absent, the remaining members shall elect one of their number, other than the Chair of the Board to chair the meeting. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
Secretary	The Society Secretary or their nominee shall be Secretary of the Committee.
Meeting Preparation	The Secretary shall draft the agenda for each meeting and provide this to the Chair of the Committee for approval in advance of the meeting. The Secretary shall collate and circulate the papers to members and attendees at least six calendar days prior to the meeting.
Reporting Responsibilities	Formal minutes of the meetings of the Committee will be taken and circulated to members and other regular attendees for the relevant meeting. A summary of each meeting will be made available to the Board of Directors in the month following the meeting. The Committee Chair will be available at the Society's AGM to answer questions from members falling within the Committee's remit.

#### 4. Duties

The Committee shall have the following responsibilities:

##### 4.1. Setting the Society's Remuneration Policy

- 4.1.1. To determine and recommend to the Board for approval the Society's Remuneration Policy, taking into account the link between business strategy, culture, values, purpose and the long-term sustainable success of the Society, as well as the need to promote effective risk management, comply with applicable regulation including the provisions of the PRA and FCA Remuneration Codes, UK Corporate Governance Code ("Corporate Code"), and relevant economic and external trends and to ensure that remuneration policy remains appropriate and relevant.
- 4.1.2. In discharging this responsibility the Committee shall:
  - (i) exercise discretion and judgement in the application of remuneration policies to promote the long term success of the Society for the benefit of members;
  - (ii) include measures in the remuneration approach to avoid potential conflicts of interest in the design of incentive arrangements and to ensure the interests of employees and members are appropriately taken into account;
  - (iii) obtain the advice of the Board Risk Committee that performance objectives do not drive excessive risk taking and that reward takes sufficient account of risk management performance;
  - (iv) receive from the Chief Risk Officer advice on the management of risk relating to remuneration including whether the Remuneration Policy is compliant with the PRA's Remuneration Code; and
  - (v) ensure the reward, incentives and conditions available to the Society's workforce are taken into account when deciding the pay of Executive Directors and Executives.

##### 4.2. Authorising specific remuneration arrangements for Executives

- 4.2.1. Within the terms of the agreed Remuneration Policy, to determine the remuneration of Executive Directors and Executives in order to attract, retain and motivate Executives

of the quality required to run the Society successfully, without paying more than is necessary, including (to the extent applicable):

- 4.2.1.1. base salary;
  - 4.2.1.2. participation in and awards arising from variable pay plans;
  - 4.2.1.3. pension arrangements, including the level of contributions by the Society; and
  - 4.2.1.4. other benefits in cash or in kind.
- 4.2.2. To ensure, where relevant, that any payments made in respect of any remuneration package are permitted under the latest member approved (on an advisory basis) Remuneration Policy.
  - 4.2.3. Within the terms of the agreed Remuneration Policy, to decide on any ex-gratia payments to be made or benefits granted to Executives.
  - 4.2.4. Exercise any discretion or judgement on remuneration issues in accordance with the Remuneration Policy including clawback, deferral and malus assessments.
  - 4.2.5. Agree the Expenses Policy for Executive Directors.
  - 4.2.6. Approve or decline the retention by Executives of any financial rewards from external directorships or similar appointments.
  - 4.2.7. Consider and approve the buyouts of forfeited rights for any new appointments.

#### **4.3. Oversee variable pay plans for Executives**

- 4.3.1. In respect of any variable pay plans for Executives:
  - 4.3.1.1. approve the introduction of new variable pay plans or significant changes to such plans;
  - 4.3.1.2. determine targets for variable pay plans operated by the Society ensuring such arrangements are compliant with the requirements of applicable law and regulation;
  - 4.3.1.3. exercise its judgement and discretion to determine each year whether awards will be made, and if so, the overall amount of such awards and the individual awards to be made to participants under any such plan ensuring such arrangements are compliant with applicable law and regulation and consistent with the Society's belief of "Putting Members First".

#### **4.4. Authorise the remuneration of the Chair of the Board**

- 4.4.1. To review the Chair of the Board's fees at least annually and make recommendations to and seek approval from the Board for any changes to such fees.

#### **4.5. Oversee employee remuneration arrangements**

- 4.5.1. To oversee the overall reward approach for the Society's employees including base pay, benefits, and incentives.
- 4.5.2. To set the Success Share annually payable to all Society employees.
- 4.5.3. To oversee major changes in employee benefits structures impacting the Society's employees as a whole or a significant proportion of the Society's employees.

#### **4.6. Regulatory obligations**

- 4.6.1. To ensure that the disclosure of remuneration, both internally, and externally within the Society's Pillar 3 Disclosures follows the Prudential Regulation Authority's rules regarding remuneration disclosure including the guidelines on remuneration rules for high earners.
- 4.6.2. To review and approve the PRA Remuneration Policy Statement and list of Material Risk Takers.
- 4.6.3. Receive updates from the Chief People Officer on the remuneration of Material Risk Takers who are not Executive Directors or Executives including any decisions on

clawback, deferral and malus assessments required under the Remuneration Code for such employees.

- 4.6.4. Oversee remuneration arrangements required by the PRA Remuneration Code, including remuneration for employees in control functions such as Internal Audit, Risk, Compliance, HR and Legal, even if they are covered by the 'de minimis' exemption.
- 4.6.5. To adhere to the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and publish and report specific data about the Society's gender pay gap on an annual basis, in accordance with regulatory guidance.
- 4.6.6. To ensure remuneration arrangements are consistent with the Society's Consumer Duty obligations.

#### **4.7. Reporting and disclosures**

- 4.7.1. To compile a report detailing how it discharged its responsibilities for inclusion in the Society's Annual Report & Accounts, including a description of the significant issues dealt with by the Committee and other matters required to be disclosed under the Corporate Code.
- 4.7.2. The Committee shall produce a Directors' Remuneration Report which shall comprise all matters required to be disclosed under the Corporate Code and relevant regulation, including a statement from the Chair of the Committee, an annual report of the Society's implementation of its Directors' Remuneration Policy and either a summary of the Directors' Remuneration Policy or, in a year in which such policy is put to members for approval at the Society's Annual General Meeting (AGM), the full policy and which will form part of the Society's Annual Report.
- 4.7.3. The Committee shall ensure that the Directors' Remuneration Report is put to members for approval at the AGM each year, and in addition will put its Directors' Remuneration Policy to members for approval at the AGM at least every three years.
- 4.7.4. Where a remuneration consultant is appointed, the consultant should be identified in the annual report alongside a statement about any other connection it has with the Society or individual directors.

#### **4.8. Reviewing Committee performance**

- 4.8.1. To arrange annual assessments of Committee effectiveness and report the output of this activity to the Board.
- 4.8.2. To review periodically these Terms of Reference to ensure the Committee is operating at maximum effectiveness and recommend any changes to the Board for approval.

#### **4.9. External advice**

- 4.9.1. To appoint remuneration consultants and to commission, obtain or purchase any professional advice and/or training, which it reasonably deems necessary to discharge its responsibilities. The Committee shall exercise independent judgement when evaluating advice received from such consultants or when receiving benchmarking information.

These terms of reference were approved by the Committee at its meeting on 13 December 2023 and by the Board at its meeting on 24 January 2024.