

# TERMS OF REFERENCE – REMUNERATION COMMITTEE

## 1. Membership

- 1.1 Members of the Committee shall be appointed by the Society's Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least two members, all of whom shall be independent non-executive directors of the Board. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate. All non-executive directors of the Board are invited to attend Committee meetings at which Remuneration Policy and Bonus Schemes of the Society are being reviewed.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director still meets the criteria for membership of the Committee.
- 1.4 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be Chairman of the Committee.

## 2. Secretary

- 2.1 The Company Secretary or his nominee shall act as the secretary of the Committee.

## 3. Quorum

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

## 4. Frequency of Meetings

- 4.1 The Committee shall meet at least twice a year or at such other times as the Chairman of the Committee shall require. Meetings may be held in person, over the telephone or by technology enabled conference.

## 5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.

- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be provided to each member of the Committee and any other person required to attend, no later than ten working days before the date of the meeting. Details of the agenda of items to be discussed, together with supporting papers, shall be forwarded to Committee members and to other attendees, as appropriate, no later than five working days before the date of the meeting.

## **6. Minutes of Meetings**

- 6.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance and for whom apologies have been received.
- 6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interest exists.

## **7. Annual General Meeting**

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any member questions on the Committee's activities.

## **8. Duties**

The Committee shall:

- 8.1 determine and agree with the Board the framework or broad policy for the remuneration of the Society's Chief Executive, Chairman, the executive directors, the Company Secretary and such other members of the management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;
- 8.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Society are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Society;
- 8.3 review the ongoing appropriateness and relevance of the remuneration policy;
- 8.4 approve the design of, and determine targets for, any performance related pay schemes operated by the Society and approve the total annual payments made under such schemes;
- 8.5 determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- 8.6 ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Society, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

- 8.7 within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of each executive director including bonuses and incentive payments or other such awards;
- 8.8 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and associated guidance;
- 8.9 review and note annually the remuneration trends across the Society or group;
- 8.10 oversee any major changes in employee benefits structures throughout the Society or group;
- 8.11 agree the policy for authorising claims for expenses from the Chief Executive, Chairman and non-executive directors;
- 8.12 ensure that all provisions regarding disclosure of remuneration, including pensions as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled;
- 8.13 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 8.14 obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations;
- 8.15 agree the objective setting process for all non-executive directors;
- 8.16 agree the performance appraisal process for all non-executive directors;
- 8.17 agree the Human Resources Policy;
- 8.18 report frequency, membership of, and attendance by members at Remuneration Committee meetings in the Annual Reports; and
- 8.19 make available to members the Committee's terms of reference, which should set out the Committee's role and delegated responsibilities and be reviewed and, where necessary, updated annually.

## **9. Reporting Responsibilities**

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall produce an annual report of the Society's remuneration policy and practices which will form part of the Society's Annual Report and ensure each year that it is put to members for approval at the Annual General Meeting.

## **10. Other**

- 10.1 The Committee shall, 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.

## **11. Authority**

- 11.1 The Committee is authorised to seek any information it requires from any employee of the Society in order to perform its duties.

- 11.2 In connection with its duties the Committee is authorised by the Board at the Society's expense:

11.2.1 to obtain any outside legal or other professional advice; and

11.2.2 within any budgetary restraints imposed by the Board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.