



**Board Governance Manual - Appendix G3
(Section 4 & Section 8)**

**Terms of Reference of Board Sub Committees:
Remuneration Committee**

May 2021

Document Control

The content and any amendments of this document are the responsibility of the Financial Controller and Secretary.

Terms of Reference should be reviewed annually together with the Committee's own effectiveness.

Version	Date	Changes made
1.0	June 2018	Full Review
2.0	October 2018	Manual divided into individual sections
3.0	November 2019	Full Review
4.0	September 2020	Full Review
5.0	May 2021	Annual Review

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Remuneration Committee

Constitution

The Board has resolved to establish a Committee of the Board to be known as the Remuneration Committee.

Objective

To determine the appropriate remuneration of the Chair and Executive Directors and other Executives and to make recommendations to the Board concerning the remuneration of NEDs and other staff.

Membership and Attendance

The Committee shall be appointed by the Board from amongst the non-executive directors and shall comprise not less than two non-executive directors, of whom at least one shall also be a member of the Audit and Compliance Committee or the Risk Committee. A quorum shall be two Non-Executive Directors.

The Chair of the Committee shall be appointed by the Board but will not be the Chair of the Board. The Chair of the Committee will have served at least 12 months on a Remuneration Committee prior to appointment as Chair of the Committee.

Frequency of Meetings

Meetings shall be held not less than twice per year. The Committee may have such number of meetings as it deems appropriate to fulfil its duties.

Authority

The Committee is authorised by the Board to handle any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee Chair shall circulate the minutes of meetings of the Committee to all members of the Board, and the Committee will report formally to the Board on its deliberations, decisions and recommendations.

Duties and Specific Responsibilities

The duties of the Committee shall be:

- a) to review at least annually the Society's Remuneration Policy Statement and approve appropriate amendments;
- b) to make remuneration decisions and recommendations having considered all implications for risk and risk management;
- c) to take into account any matters raised by those with overall responsibility for the Compliance and Risk Functions and/or Internal Auditors concerning the implications of the Policy for risk and risk management. In carrying out this review the Committee will have regard to the requirements of the PRA and FCA Handbooks;

- d) to make recommendations to the Board concerning the remuneration of non-executive directors;
- e) to determine the terms and conditions of service of the Chair;
- f) to determine the terms and conditions of service* of the Chief Executive after consultation with the Board Chair;
- g) to determine the terms and conditions of service* of any other Executive Directors after consultation with the Board Chair and the Chief Executive;
- h) to determine the terms and conditions of service* of any other member of the Executive team after consultation with the Chief Executive;
- i) to consider proposals from the Executive and, where appropriate, make recommendations to the Board concerning the terms and conditions of service for all other managers and staff ;*
- j) to review calculations and approve payments for employees arising under general staff incentive schemes or Executive incentive schemes;
- k) to review the terms of incentive schemes agreed by the Executive for individual groups of employees;
- l) to consider any other topics as defined by the Board from time-to-time;
- m) to report annually on its work including the following (in line with the Corporate Governance Code):
 - an explanation of the strategic rationale for executive directors' remuneration
 - reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
 - a description, with examples, of how the remuneration committee has addressed the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture;
 - whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
 - what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
 - what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and
 - to what extent discretion has been applied to remuneration outcomes and the reasons why.
- n) to periodically, and at least annually, carry out a Committee Self-Evaluation exercise.

- * Terms and conditions of service involves consideration of (but is not confined to): rates of pay, pensions, profit-related pay schemes, any incentive schemes, permanent health insurance schemes, private medical schemes and any other tangible or non-tangible benefit.

In taking remuneration decisions, the Committee will have regard to the input of staff (where appropriate) and to the potential risks to the Society and its members associated with those decisions. The Committee consider the clarity and simplicity of all remuneration arrangements.

Timetable for consideration of Business issues

January/February: *(prior to Audit & Compliance Meeting)*

Information Provided:

1. Report on Remuneration Policy from Compliance and/or internal Audit (if any)
2. Review of objectives and performance

Items for Decision:

1. Approval of Incentive Payments
2. Remuneration Policy Statement (for recommendation to the Board) including any changes recommended in the PRA's RPS template
3. Remuneration Committee Report

July:

Information Provided:

1. Interim Report on all Open Incentive Schemes
2. Details of Current Incentive Schemes for Individual Managers and Staff
3. Review of objectives and performance

Items for Decision:

1. Self-Evaluation Questionnaire Template
2. Consideration of overall staff terms and benefits

October:

Information Provided:

1. Review of objectives and performance

Items for Decision:

1. Executive Incentive Scheme Design
2. Committee Terms of Reference
3. Results of Self-Evaluation Questionnaire

December:

Information Provided:

1. Forecast Outturn of Incentive Schemes (Staff and Executive)
2. Review of objectives and performance

Items for Decision:

1. Staff Incentive Scheme(s) for following year (recommendation to Board)
2. Annual Staff Salary Review (recommendation to Board)
3. Annual Executive Salary Review
4. Chair's Remuneration
5. NED Fees and Allowances (recommendation to Board)

Policies for Consideration by the Remunerations Committee:

1. Remuneration Policy Statement
2. Report on Remuneration Policy from Compliance and/or Internal Audit (if any)

* The timetable is produced for guidance to ensure all matters are considered in a timely manner but meetings and items may move within the year, dependent on the full Board meeting timetable.