



PERSONNEL AND REMUNERATION COMMITTEE

TERMS OF REFERENCE

1 Constitution

The Board has established a Committee of the Board to be known as the Personnel and Remuneration Committee.

2 Purpose

The Committee shall make recommendations to the Board on the remuneration and contractual arrangements of Executive Directors and on the performance related pay for all Society staff. It shall also determine the remuneration of other members of the executive team.

The Committee shall make recommendations to the Board on the personnel arrangements of the Society.

3 Membership

The Personnel and Remuneration Committee shall be appointed by the Board and be composed of three independent Non-Executive Directors. The Chair of the Board may be a member of the Committee. A quorum shall be two members.

The Chair of the Personnel & Remuneration Committee has a Senior Management Function SMF12 responsibility. This covers the following prescribed responsibilities: PRm for developing and overseeing the firm's remuneration policies and practices in accordance with SYSC 19D (Remuneration Code) of the FCA Handbook.

4 Attendance at Meetings

Only members of the Committee have the right to participate at Committee meetings. Board members can attend with the agreement of the Chair. However, other individuals, such as the CEO, Deputy CEO & Finance Director, the Head of Human Resources and external advisers may be invited to attend for all or part of any meeting, as deemed appropriate by the Committee Chair.

5 Frequency of Meetings

The Committee shall meet at least three times per annum.

6 Authority



The Committee is authorised to examine matters relating to staff relations and human resources requiring Board attention/approval and to make recommendations to the Board on such matters.

7 Duties

The duties of the Committee shall be:

Remuneration:

- Set the Remuneration Policy for the Society (including in relation to Executive Directors);
- Review the on-going appropriateness and relevance of the Society's Remuneration Policy;
- Determine the basic and variable pay levels of Executive Directors and other members of the executive team;
- When determining executive director remuneration, policy and practices, the remuneration committee should address the following:-
 - Clarity: provide clarity and transparency and promote effective engagement with the Society's staff and Members;
 - Simplicity: avoid complexity and that the rationale and operation of remuneration structures is easy to understand;
 - Risk: ensure reputational and other risks from excessive rewards are mitigated in remunerative arrangements;
 - Predictability: identify and explain the range of possible values of rewards to individual directors and any other limits or discretions;
 - Proportionality: ensure that the link between individual awards, the delivery of strategy and the long-term performance of the Society is clear and outcomes for poor performance is not rewarded;
 - Alignment of Culture: ensure that incentive schemes drive behaviours that are consistent with the Society's purpose, values and strategy.
- Approve the design and levels of performance indicators attached to variable elements of pay for all Society staff (including Executive Directors, other members of the executive team and all other Society staff);
- Obtain reliable, up-to-date information about remuneration in other Societies deemed an appropriate peer group to assist in assessing the appropriateness of levels of pay within the Society and the overall Remuneration Policy of the Society;
- Keep up-to-date with regulatory and best practice developments in the area of remuneration and ensure that these developments are reflected in the Society's Remuneration Policy as appropriate; in particular, overseeing the firm's remuneration policies and practices in accordance with SYSC 19D (Remuneration Code) of the FCA Handbook;



- Approve variable pay for all Society staff at the end of the Society's financial year;
- Determine the policy for, and scope of, pension arrangements for each Executive Director and member of the executive team;
- Be responsible for the selection and appointment of remuneration consultants engaged to advise the Committee on remuneration issues;
- Agree the policy for authorising claims for expenses from the Board.

Contracts

- 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.

Personnel

- Inform and make recommendations to the Board on any personnel matters referred to the Committee, in accordance with Board instructions issued from time to time. This will include but may not be limited to:
 - (i) Staff relations and disciplinary matters;
 - (ii) Gender and ethnic personnel and remuneration issues (including Society targets for same);
 - (iii) Equal opportunities legislation;
 - (iv) Health, safety and welfare.
- Ensure that workforce policies and practices are consistent with the Society's values and support its long-term sustainable success. This will include but may not be limited to:
 - (i) Ensuring that staff have suitable mechanisms to raise any matters of concern;
 - (ii) Considering if employee engagement mechanisms are effective.
- Monitor and make recommendations to the Board on levels of resources within the Society;

Disclosure

- The Chair of the Committee shall make a report on the work of the Committee for inclusion in the annual financial statements of the Society. The report should address the items included in Provision 41 of the UK Corporate Governance Code.

Reporting Procedures



- The Committee shall report to the Board after each meeting on all matters within its duties and responsibilities. The Committee shall make recommendations to the Board on areas within its remit where action or decisions are required by the Board. Minutes of meetings shall be formally recorded and reported to the next full board meeting.

February 2019