

Terms of Reference – Remuneration Committee

Constitution

The Board has established a sub-Committee to be known as the Remuneration Committee to support it in achieving its objectives and responsibilities. The Remuneration Committee reports directly to the Board.

1.

Membership

2. 2.1 Members of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee.

2.2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chairman of the Board, other directors, Executive Directors, members of Management may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.3 The Board shall appoint the Committee chairman. In the absence of the Committee chairman and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Membership

- **Les Platts (Chairman)**
- **John Anderson**
- **Carol Kavanagh**
- **Bob Stott**

3. Quorum

The Committee shall comprise at least three non-executive Directors, one of whom shall be nominated Chairman. The Society's Chairman cannot be a member of the Committee. Two members shall constitute a quorum. No executive director or other member of senior management shall be present when their remuneration is under discussion. 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

The Committee shall meet at least four times a year at appropriate times and otherwise as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be scheduled in the Board calendar. Ad hoc meetings shall be convened 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 together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.

6. Minutes of Meetings.

- 6.1 The secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated to the Chairman promptly. Once approved, the secretary will include the minutes in the Board papers for the next meeting, with a summary of the key items for noting.

Responsibilities

7. To ensure the Society complies with the FSA Remuneration Code, and the recommendations and guidance of the UK Corporate Governance Code.
- 8 To review and advise on remuneration policies generally for the Society, and review the ongoing appropriateness and relevance of the Society's Remuneration Policy, which includes the list of Code Staff, at least annually.
- 9 To examine and make recommendations to the Board on management's proposals for the periodic (normally annual) review of remuneration and other terms of service of employees other than executive directors, distinguishing as appropriate between members of the senior management team and other staff.
- 10 To review and make recommendations to the Board on the remuneration and other terms of service of executive directors, including service agreements.
- 11 To receive recommendations from the Executive Directors on the remuneration levels and other terms of service of non-executive directors including the Vice-Chairman, and Committee Chairmen.
- 12 To review, and make recommendations to the Board the remuneration levels, and other terms of service for the Chairman.
- 13 Where any bonus or incentive schemes for the Society's executive directors and senior management have been approved by the Board, to ensure that bonuses payable are related to corporate and individual performances and are calculated in accordance with the achievements of the performance criteria determined for the scheme(s).

14. To approve the annual salaries, and bonus payments, for all Code Staff.

15. To advise and make recommendations on general and specific arrangements, including compensation payments, in connection with the termination of employment of executive directors and senior management. To ensure that any payments made are fair to both the Society and the individual, that failure is not rewarded, and that the duty to mitigate loss is fully recognised.

16. To ensure compliance with best practice and regulatory requirements including those for the disclosure of remuneration policy in the annual report.

17. In carrying out its responsibilities, the Committee will take account of all factors it considers relevant which may include the following:

- The Board's commitment to the Society's mutual status and its principle of acting at all times in ways which are compatible with mutuality.
- The commercial imperative to manage the Society efficiently and cost effectively.
- The need to provide competitive and fair remuneration packages to attract, retain and motivate executive directors, management and staff of the quality required.
- The continuing appropriateness of the various elements of aggregate remuneration such as basic salaries, overtime payments, pension arrangements, life insurance, sick pay, benefits in kind and bonus and incentive schemes.
- The continuing appropriateness of non-financial terms of service such as working hours, holidays, availability of training and length of notice periods.

18. The Committee may ask management to provide any available information on the remuneration packages and other terms of service of other relevant employers (including building societies) and, subject to the need for management to retain responsibility for controlling expenditure, may request independent advice eg from actuaries on pension matters and from solicitors on service contracts. Where such advice is commissioned, the Committee has responsibility for the selection criteria, selection, and agreeing terms of reference.

19. The Committee will review its performance annually, and members be provided with appropriate and timely training.

Reporting Responsibilities

20. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Other matters

The Committee shall

21.1 have access to sufficient resources in order to carry out its duties, including access to the Society's Secretariat for assistance as required

21.2 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

21.3 arrange for periodic reviews of its own performance and, at least annually, review its 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.

Authority

22.1 seek any information it requires from any employee of the Society in order to perform its duties

22.2 obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.

19th January 2012