

Terms of Reference for the Remunerations Committee

Report title	Terms of Reference for the Nomination Committee
Author(s)	Rob Ewin, Senior Legal Counsel & Company Secretary
NBS Purpose	Together we fight for the extra ordinary to own their own home
Purpose of this paper	To undertake the annual review of the Board Audit Committee Terms of Reference.
Actions	Board is requested to RECOMMEND FOR APPROVAL its Terms of Reference of Remunerations Committee.
External references	N/A
Governance route and signoffs including changes as a result	Recommended for approval by Board on 14 th June 2022.



1. Membership

1.1 The committee shall comprise at least three members, all of whom shall be independent non-executive directors. The chair of the board may also serve on the committee as an additional member if they were considered independent on appointment as chair.

1.2 Appointments to the committee are made by the board on the recommendation of the nomination committee and in consultation with the chair of the remuneration committee and shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.

1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chief executive, the head of people & development and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

1.4 The board shall appoint the committee chair who shall be an independent non-executive director who should have served on a remuneration committee for at least 12 months. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board. The chair of the board shall not be chair of the committee.

2. Secretary

The Society secretary or their nominee shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum and voting

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

3.2 The quorum can comprise members of the committee attending in person or by telephone or online. A meeting can only be deemed quorate if all voting members have been invited to attend.

3.3 Each member of the committee is entitled to a single vote, which can be cast either in person at the meeting, or verbally (if joining by telephone or online).

3.4 Approval requires a simple majority. In the event of an even split vote, the chair or acting deputy has the option to exercise a casting vote. Invited guests attending the committee are not entitled to vote. The minutes should reflect all committee decisions, and specifically identify votes that are not unanimous.



3.5 A rapid decision protocol can be used to facilitate decision making outside of the scheduled meetings. Any use of the rapid decision protocol must be agreed with the chair of the committee (or in their absence, the acting deputy) prior to its use.

3.6 Any decisions or approvals made using the rapid decision protocol are to be submitted to the next scheduled committee meeting, accompanied by a summary of events and the final decision, for inclusion in the minutes.

4. Frequency of meetings

The committee shall meet at least three times a year and otherwise as required.

5. Notice of meetings

5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or 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 and any other person required to attend no later than five 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 and resolutions of all committee meetings, including the names of those present and in attendance.

6.2 Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the board and the Society secretary unless, exceptionally, it would be inappropriate to do so.

7. Engagement with members

The committee chair should attend the annual general meeting to answer any member questions on the committee's activities. In addition, the committee chair should seek engagement with members on significant matters related to the committee's areas of responsibility.

8. Duties

The committee should carry out the duties detailed below for the Building Society, subsidiary undertakings and the group as a whole, as appropriate.

The committee shall:

8.1 Have delegated responsibility for determining the policy for directors' remuneration and setting remuneration for the Society's chair and executive directors and material risk takers in accordance with the Principles and Provisions of the UK Corporate Governance



Code ("Code") and other Remuneration Code staff in line with the PRA Remuneration Code.

8.2 Design remuneration policies and practices to support strategy and promote longterm sustainable success, with executive remuneration aligned to Society purpose and values, clearly linked to the successful delivery of the Society's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances.

8.3 When determining executive director remuneration policy and practices, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

8.4 No director or senior manager shall be involved in any decisions as to their own remuneration outcome. The board itself should determine the remuneration of the non-executive directors.

8.5 In determining remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Society successfully without paying more than is necessary, having regard to views of members and other stakeholders.

8.6 Review the ongoing appropriateness and relevance of the remuneration policy.

8.7 Within the terms of the agreed policy and in consultation with the chair and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director, the Society chair and senior managers including bonuses, incentive payments or other awards. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of Society and individual performance, and wider circumstances.

8.8 Have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Society. However the committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.

8.9 Review the design of all incentive plans for approval by the board. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for executive directors and senior managers, and the performance targets to be used.

8.10 Review workforce remuneration and related policies.

8.11 Work and liaise as necessary with other board committees, ensuring the interaction between committees and with the board is reviewed regularly.



9. Reporting responsibilities

9.1 The committee chair shall report to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.

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, and adequate time should be available for board discussion when necessary.

9.3 The committee shall provide a description of its work in the annual report in line with the requirements of the Code.

9.4 The committee shall also ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the Society's annual report and put to members for approval at the AGM as necessary.

9.5 If the committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the Society or individual directors.

10. Other matters

The committee shall:

10.1 Have access to sufficient resources in order to carry out its duties, including access to the Society secretariat for advice and assistance as required.

10.2 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.

10.3 Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidelines or recommendations regarding the remuneration of Society directors and the formation and operation of incentive plans and any other applicable rules, as appropriate.

10.4 Ensure that a periodic evaluation of the committee's own performance is carried out.

10.5 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.

10.6 Review the Remuneration Policy at the required frequency and recommend it to board for approval, ensuring the Remuneration Policy aligns with the Society's overall strategy and long-term objectives with appropriate consideration of member outcomes and risk appetite.

10.7 Review and approve at the required frequency:

10.7.1 The People & Reward Governance Matrix;



10.7.2 Material Risk Takers Identification;

10.7.3 Remuneration Code staff list; and

10.7.4 Remuneration Policy Statement.

10.8 Approve the appointment salaries and benefit packages of Executive Directors and Material Risk Takers and any subsequent changes thereto. Such appointment salaries and benefit packages (and any subsequent changes thereto) may be approved by the chair of the committee between the meetings and reported to the next committee meeting).

11. Authority

The committee 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.

