

Remuneration Committee Terms of Reference

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1. Purpose

The Nottingham's Remuneration Committee (the Committee) is a Committee of the Board of Directors responsible for making recommendations to the Board on the Remuneration Policy of The Nottingham and is also responsible for ensuring the Remuneration Policy is implemented. The Committee sets and monitors the level and structure of remuneration, including pension rights and any compensation payments for the Chair, all Executive Directors, and other Remuneration Code staff in line with the UK Corporate Governance Code and the PRA Remuneration Code.

2. Scope

This Committee's remit covers The Nottingham, comprising The Nottingham Building Society and its subsidiary companies Nottingham Property Services Limited, Nottingham Mortgage Services Limited, Harrison Murray Limited and HM Lettings Limited.

3. Composition

The Remuneration Committee is currently composed of the following members/attendees:

Role and SMF	Status	Deputy
Non-Executive Director, SMF12 Chair	Member	Non-Executive Director
Non-Executive Director, Deputy Chair	Member	N/A
Non-Executive Director	Member	N/A
Non-Executive Director	Member	N/A
Chief Executive Officer SMF1 and SMF4, regular invited attendee	Non-voting attendee	N/A
Head of People & Development, regular invited attendee	Non-voting attendee	N/A
Senior Legal Counsel & Company Secretary	Non-voting attendee	General Counsel

Members of the Committee are appointed by the Nominations Committee in consultation with the Chair of the Committee.

The Committee shall be made up of independent Non-Executive Directors only. The Chair of the Committee shall be appointed by the Board from amongst the Non-Executive Directors but shall not be the Chair of the Board. The Chair of the Committee should have served on a Remuneration Committee for at least 12 months prior to taking up this role.

No one other than the Committee Chair and members are entitled to be present at a meeting of the Committee, but any member of the Committee may petition the Chair for inclusion of specific individuals to attend a meeting.

No director should be involved in deciding their own remuneration.¹

All new members of the Committee will be informed of their responsibilities, the role of the Committee and be provided support and training where deemed necessary to ensure they are able to discharge their responsibilities effectively.

4. Quorum

The Quorum shall be two members and must include the Chair or Deputy Chair.

Quorum requirements should be reviewed annually to reflect any changes in committee membership or roles and responsibilities. A meeting can only be deemed quorate if all voting members have been invited to attend.

5. Meeting Frequency

The Committee will meet at least three times a year.

Members of the Committee may also request additional meetings following consultation with the Chair, where appropriate if the Rapid Decision Protocol is not deemed adequate.

6. Rapid Decision Protocol

The purpose of the Rapid Decision Protocol is to facilitate decision making outside of the scheduled meetings. Any use of the Rapid Decision Protocol must be agreed with the Chair (or in their absence, the Deputy Chair) prior to its use, and circulated by the Committee Secretary (or in their absence, the nominated deputy). Quorum requirements detailed above apply to any decisions, with members either meeting in person, by telephone conference or responding via email.

Any decisions or approvals made using this 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.

As documented in the Board delegated authorities, in order to facilitate timely appointments, salaries for new Leadership Team members, salary adjustments or any leavers' arrangements, will be proposed by the Chief Executive and Head of People & Development and agreed by the Chair.

7. Authority

The Delegation from the Board: The Board has delegated responsibility for setting remuneration for all Executive Directors and the Chair, including pension rights and any

¹ UK Corporate Governance Code, Section 5 Remuneration, Principle Q. (July 2018).

compensation payments.² The Board has also delegated responsibility for the Committee to carry out duties as detailed in section 8 (Approvals and Responsibilities).

The Committee shall have access to sufficient resources to carry out its duties, including access to the company secretariat or to obtain external legal or other professional advice on any matters within its Terms of Reference.

7.1. Exceptions

The Committee will review and approve exceptions to policy under its authority as prescribed by the specific policy in question (see section 8). Any area outside of the Committee's authority will be referred to the Board for approval.

Policy dispensations are submitted in writing to the Committee for approval, stating:

- The policy or specific requirement(s) for which the dispensation is being requested
- What is being done instead of following the policy (i.e. the variation)
- An impact assessment of the dispensation
- The requested time period for the dispensation

Policy breaches or agreed exceptions are to be reported to the Committee through the relevant management information report as prescribed by the policy in question.

7.2. Voting

Each member of the Committee is entitled to a single vote, which can be cast either in person at the meeting, or by email prior to the meeting addressed to the Chair.

Approval requires a simple majority. In the event of an even split vote, the Chair or Deputy Chair has the option to exercise a casting vote. Committee members may not delegate their vote to a deputy, and invited guests attending the Committee are not entitled to vote.

² UK Corporate Governance Code, Section 5 Remuneration, Principle Q. (July 2018).

8. Approvals and Responsibilities

	Responsibility	Details
For approval	The People & Reward Governance Matrix	Approve the People & Reward Governance Matrix, including how all variable pay bonus and incentive schemes are designed, approved, implemented, and overseen. ³
	Material Risk Takers Identification	Approve the criteria and roles designated as Material Risk Takers
	Remuneration Code staff list	Approve the Society record of its Remuneration Code staff (Material Risk Takers) using the Regulators prescribed Code Staff template.
	Remuneration Policy Statement (RPS)	Approve the Society's Remuneration Policy Statement using the Regulators prescribed template.
	Annual Report and disclosures	Approve the Remuneration Report for disclosure in the Annual Report and Accounts. The Chair of the Board should arrange for the Chair to be available to answer questions at the AGM ⁴
	Job Evaluation structure and Pay bands	Approve the Society's Job Evaluation structure and pay bands at least every 3 years
	Appointment salaries of Leadership Team members ⁵ and Remuneration Code staff	Approve the appointment salaries of new Leadership Team members and Remuneration Code Staff. ⁶
	Remuneration of the Chairman of the Board	Approve the annual remuneration of the Chairman of the Board of Directors (who will not be present for any discussion).
	Executive Directors and other Remuneration Code Staff (Material Risk Takers) annual salaries	Set the annual remuneration packages of the Executive Directors and approve any changes to terms and conditions Approve Leadership Team and other Remuneration Code Staff (Material Risk Takers) annual salaries and

³ This is in line with the Corporate Governance requirement to maintain formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration packages of individual Directors.

⁴ UK Corporate Governance Code, Section 4 Audit, Risk and Internal Control, Provision 27. (July 2018).

⁵ **Appointment salary, annual salary review, bonus scheme and payments and other benefits for the Head of Internal Audit are proposed directly by the Chair of Board Audit Committee and approved by RemCo**

⁶ Leadership Team members appointment salaries may be approved by the Chair between the meetings and reported to the next Committee meeting.

	Responsibility	Details
		remuneration packages.
	Variable Pay Schemes	<p>Set the Executive Committee Annual Bonus Plan.</p> <p>Approve the Leadership Team Annual Bonus Plan and the Group Annual Bonus Plan.</p> <p>Approve the Variable Pay Principles for Non Remuneration Code Staff including the maximum fixed:variable ratios.</p> <p>Approve payments for the Executive Committee Annual Bonus Plan, Leadership Team Annual Bonus Plan and Group Annual Bonus Plan for Remuneration Code Staff only.</p>
	Changes to Executive benefits including Pensions	Information provided directly to RemCo to determine benefits by the Head of People & Development
	Changes to Leadership Team and other Remuneration Code Staff benefits including pensions	Proposals are made directly to RemCo by the CEO ⁶
For review	Remuneration Policy	<p>Recommend for Board's approval the Remuneration Policy having regard to all applicable legal and regulatory requirements, including pension rights and any compensation payments.⁷</p> <p>Ensure the Remuneration Policy aligns with the Nottingham's overall strategy and long term objectives with appropriate consideration of customer outcomes and risk appetite.</p>
	Annual People & Reward Report	Overview of the activities of the People & Reward Committee and the operation of the Nottingham's Remuneration Policy including appointment salaries MI for all staff, variable pay scheme payments
For Review	Assist the Senior Manager Function	Assist the Senior Manager Function (SMF) role holder in fulfilling the Prescribed Responsibility for overseeing the development of implementation of the firm's remuneration policies and practices in accordance with the Remuneration Code in the PRA Handbook.

⁷ UK Corporate Governance Code, Section 5 Remuneration, Provision 33. (July 2018).

	Responsibility	Details
	Reward Oversight	Oversight of the Executive Committee and People & Reward Committee and receive annual report from People & Reward Committee.
	Other	Review the Committee's Terms of Reference prior to submission to the Board of Directors for approval. Consider its own performance, noting its conclusions in a report submitted to the Nominations Committee.

9. Secretariat

The Senior Legal Counsel & Company Secretary will act as secretariat for the Committee and will be supported in the maintenance of meeting minutes by the Assistant Company Secretary. The Senior Legal Counsel & Company Secretary will ensure that all follow-up actions are appropriately assigned and monitored. The General Counsel will provide cover for this role in the event that the Senior Legal Counsel & Company Secretary cannot attend.

The Secretary will ensure that all items included within the Terms of Reference are covered as standard agenda items in Committee meetings with clear signposting of status and action for the Committee for each item. The Secretary in conjunction with the Head of People & Development and the Chair will draw up an agenda which shall be circulated prior to each meeting to each member of the Committee and to any other attendees.

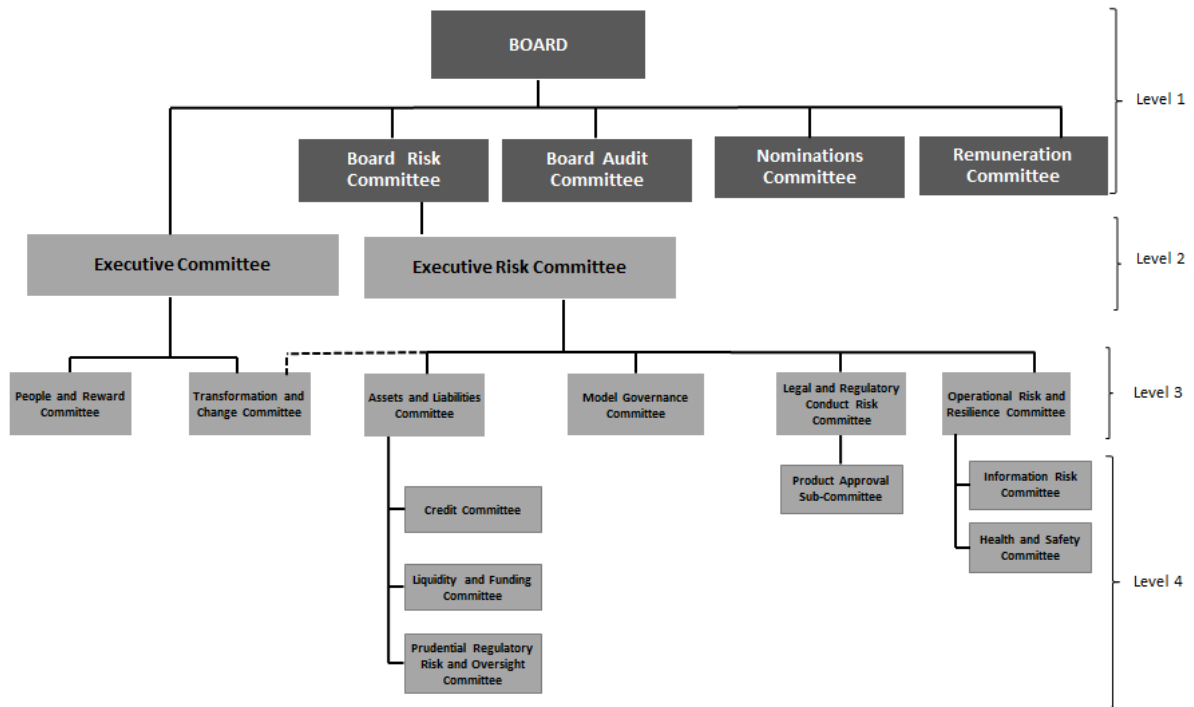
The Secretary shall be responsible for the collation and circulation of relevant reports to Committee members and other attendees in sufficient time for papers to be reviewed.

An effectiveness review of the Committee will be performed annually, including a review of meeting content, terms of reference and composition.

10. Minutes

Committee decisions and discussions will be evidenced by minutes, after approval by the Chair will be circulated to the Committee members and nominated attendees in sufficient time to allow completion of the actions.

11. Organisation



12. Document Version History

Date	Author	Version	Notes
11.05.2016	I Skelton	V2016 1.0	Initial version developed by Governance and Risk Management working group.
17.05.2016	I Skelton	V2016 1.1	Board feedback.
31.05.2016	R Kolebuk	V2016 1.2	Feedback from Jane Kibbey
26.10.2017	R Kolebuk	V2017 1.3	Updated to include ExCo and consistency changes
12.1.2018	A Mellors	V2018 1.3	Update in line with agreed People & Reward Governance Matrix
03.12.2018	A Mellors	V2019 1.5	Annual update including changes to Corporate Governance Code and Society Governance Committee structure
17.12.2019	A Leivers	V2019 1.6	Annual update including changes to the Composition section, new Secretariat and conversion of SLT to Leadership Team

13. Glossary

Date	
The Remuneration Code staff	Those individuals and roles who have been identified by the Society as Material Risk Takers (MRT's)
SMF 1	Chief Executive function
SMF 4	Chief Risk function
SMF 12	Chair of the Remuneration Committee