

HINCKLEY AND RUGBY BUILDING SOCIETY

RUMUNERATION COMMITTEE TERMS OF REFERENCE

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These Terms of Reference are reviewed on an annual basis and will be approved at the end of each financial year in readiness for the year ahead

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1. Introduction

The Remuneration Committee (Committee) is a sub-Committee of the Hinckley and Rugby Building Society, (The Society) Board of Directors (The Board). The Committee has been established to oversee and ensure a formal and transparent procedure for developing the Remuneration Policy and practices.

2. Membership

- 2.1. The Committee shall comprise at least 3 Directors 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.
- 2.2. Appointments to the Committee are made by the board on the recommendation of the Nominations and Governance Committee and an in consultation with the Chair of the Remuneration Committee.
- 2.3. Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive Officer and the Chief People Officer will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 2.4. 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.

3. Secretary

The Company 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 issues.

4. Quorum

The quorum necessary for the transaction of business shall be 2 members.

- 4.1. A decision of the Committee may be taken by written resolution or via electronic means. A decision in this instance will be valid only if taken by a quorum as set out in the terms of reference
- 4.2. The members of the Committee shall be deemed to meet together if they are in separate locations, but are linked by conference telephone, video or other communication equipment. For the avoidance of doubt, a quorum in such event shall be as set out in 3 above. Such a meeting shall be deemed to take place where the largest group of members of the Committee participating is assembled or, if there is no such group, where the Chair of the meeting is located

5. Frequency of meetings

The Committee shall meet at least 3 times a year and otherwise as required.

6. Notice of meetings

- 6.1. 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.
- 6.2. 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 six clear 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.

7. Minutes of the meeting

- 7.1. The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 7.2. The draft minutes of Committee meetings shall be circulated to all members of the Committee and will be approved at the following meeting.

8. Engagement with members

- 8.1. The Committee Chair should attend the annual general meeting to answer any member questions on the Committee's activities.

9. Duties

- 9.1. Responsible for determining the Remuneration Policy for Executive Directors, Senior Management, and the Society's Code Staff (Material Risk Takers) in accordance with the rules of remuneration, the Principles and Provisions of the UK Corporate Governance Code (Code), FCA's Remuneration Code and the Remuneration Part of the PRA Rulebook.
- 9.2. Responsible for determining the Chair of the Board fee.
- 9.3. Responsible for ensuring the review process for Chair and Non-Executive Director Fees is conducted on an annual basis.
- 9.4. To ensure Remuneration Policy and practices:
 - support strategy and promote long-term sustainable success,
 - align Executive remuneration with the Society purpose and values, including payments related to early termination.
 - are clearly linked to the successful delivery of the Society's long-term strategy, enabling the use of discretion to override formulaic outcomes, proportionate to the nature, scale and complexity of the Society's activities.
 - are aligned with applicable good practice on remuneration and corporate governance

- consistent with an accurate assessment of the financial condition and future prospects.
 - sufficient to attract and retain staff with required skills, knowledge and expertise.
- 9.5. To ensure Remuneration Policy and practices, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
 - 9.6. To review and provide recommendations to the board on the staff survey engagement outcomes
 - 9.7. To ensure no Director or Senior Manager be involved in any decisions as to their own remuneration outcome.
 - 9.8. In determining the 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.
 - 9.9. Review the ongoing appropriateness and relevance of the Remuneration Policy.
 - 9.10. Within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each Executive Director, the Chair of the Board and Executive Management including bonuses, and incentive payments.
 - 9.11. To ensure financial, non-financial and strategic measures are considered whilst exercising independent judgement and discretion when determining remuneration awards, taking account of Society and individual performance, and wider circumstances.
 - 9.12. To appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Society. Noting that pay structures will not be based solely on benchmarking to the market or on the advice of remuneration consultants.
 - 9.13. Review and approve workforce remuneration and related policies.
 - 9.14. To review any major changes in employee benefits structures throughout the Society
 - 9.15. Work and liaise as necessary with the Risk Committee to consider whether remuneration incentives take into consideration risk, capital, liquidity, and the likely timings of payments.
 - 9.16. To review and recommend the Society Remuneration Policy and Remuneration policy Statement.
 - 9.17. To review and approve the Society Expenses Policy.
 - 9.18. The Committee determines the policy for, and scope of, pension arrangements for each Executive Director and Executive Management.

10. Reporting Responsibilities

- 10.1. The Committee receives an annual report from the Risk and Compliance Department on the implications on remuneration from an assessment of risk and risk management in the context of the Society's performance and strategy. The Committee will receive input from the Board Risk Committee and Audit Committee in relation to any risk or audit matters that may have an impact on variable remuneration. The Committee will ensure that remuneration and benefits do not incentivise undue risk taking. The Committee will incorporating risk-adjusted performance into calculating the bonus pool and individual awards, including the triggers under which adjustments would take place.
- 10.2. The Committee receives an annual paper from the Nominations and Governance Committee detailing the review and assessment of all Code Staff including Material Risk

Takers.

- 10.3. The Committee receives an annual paper from the Chief Executive Officer and Chair of the Board detailing the assessment and decisions made for Non-Executive Director fees and the remuneration for Chairs of Committees.
- 10.4. The Committee shall ensure that a report on the Remuneration Policy and practices is included in the company's annual report and put to members for approval at the **AGM** as necessary.
- 10.5. The Committee shall review and approve under delegated authority from the Board the Society's gender and ethnicity pay gap reporting.
- 10.6. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.7. The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities

11. Other Matters

- 11.1. The Committee Chair will lead on the annual performance evaluation of the Committee.
- 11.2. The Committee will ensure that it has access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required and 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.

12. Authority

- 12.1. These Terms are the responsibility of the Board and cannot be delegated.
- 12.2. The Terms will be reviewed and approved on an annual basis at the end of each financial year.
- 12.3. The Committee's delegated authority for employee contractual review and approval is contained in the Society Delegation of Authority Schedule.
- 12.4. The Committee is a Committee of the Board and has delegated authority from the Board to which it regularly reports in respect of its functions and responsibilities as set out in these Terms of Reference.
- 12.5. The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues and to report back to the Committee.
- 12.6. The Committee has authority to oversee any investigation of activities relating to the Society which are within these Terms of Reference.
- 12.7. The Committee is authorised to seek any information it requires from any employee of the Society in order to perform its duties or call any employee to be questioned at a meeting of the Committee as and when required.
- 12.8. The Committee Chair and the Society Secretary are authorised by the Board to review and approve any non-material change required to be made to these Terms of Reference. Any such change shall be reported to the Board.