

# Terms of Reference

## Board Remuneration Committee



### 1. Purpose

The role of the Remuneration Committee is to determine on behalf of the Board, the Group's Remuneration Policy. In so doing it will:

- 1.1 Ensure that Remuneration policies, principles and practices are appropriate to enable the business to attract, retain and reward people with the right skills, experience, knowledge and behaviours to support achievement of business goals and objectives;
- 1.2 Maintain policies which are compliant with governing laws and regulations;
- 1.3 Ensure that remuneration arrangements support and encourage desired behaviours and culture; and
- 1.4 Ensure appropriate governance of remuneration practices across the Society and its subsidiary companies and exercise effective oversight of these.

### 2. Membership

Appointments to the Committee are made by the Board Nominations Committee in consultation with the Chairman of the Committee.

- All members of the Committee shall be Non-Executive Directors.
- The Committee shall be comprised of up to four members one of whom shall be designated Chairman. The Chairman of the Board shall not be a member of the Committee.
- To ensure holistic oversight, a member of the Committee shall also be a member of the Board Risk Committee.
- Other individuals, such as the Chairman, Group Chief Executive, Chief Human Resources Officer, Chief Conduct Risk Officer and Secretary and external advisors may be invited by the Chairman of the Committee to attend all or part of any meeting to facilitate the effective operation of the Committee.
- Any Non-Executive Director may, with the agreement of the Chairman of the Committee, attend any meeting of the Committee.

### 3. Quorum

Meetings of the Committee shall be quorate where attended by a minimum of two members.

### 4. Frequency of meetings

The Committee shall meet, at least, four times per year, or on a more frequent basis as agreed by the Chairman of the Committee.

### 5. Secretary

The Society Secretary or their nominee shall act as secretary to the Committee.

### 6. Reporting Responsibilities

Minutes of Committee meetings shall be circulated only to Non-Executive Directors and the Group Chief Executive. The Chairman of the Committee will provide a verbal update of the general topics discussed and conclusions reached, where appropriate, to the Board meeting next following the Committee meeting.

### 7. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any member questions on the Committee's activities.

### 8. Duties of the Committee

The Committee shall:

- 8.1.1 Determine and agree on behalf of the Board the Society's Remuneration Principles and Policy, ensuring alignment to the business strategy, risk profile, corporate values, regulatory requirements and the long term interests of the Society and its members;

- 8.1.2 Provide adequate oversight arrangements to ensure policies are operating as intended;

- 8.1.3 Work closely with the Board Audit and Board Risk Committees to ensure that Remuneration Policy promotes sound and effective risk management;

- 8.1.4 Maintain an effective risk adjustment policy and process which take into account the Board Risk Appetite, capital and liquidity levels and ensure remuneration levels reflect overall performance;

- 8.1.5 Assess with regard to variable pay, the achievement of performance targets and the need for ex-ante or ex-post risk adjustments, including the application of malus and clawback arrangements;

- 8.1.6 Determine and agree remuneration for the Chairman of the Society Board and Society Executive Directors which shall be subject to the Remuneration Principles. The remuneration of Non-Executive Directors (other than the Chairman of the Board) shall be a matter for the Non-Executive Remuneration Committee;

- 8.1.7 Oversee the remuneration of the senior officers in the Risk and Compliance functions;

- 8.1.8 Receive recommendations from the Group Chief Executive for approval of the remuneration for Senior Executives which shall be subject to the Remuneration Principles;

- 8.1.9 Determine the policy, term, objectives and content of Society Executive Directors and Society Senior Executive service contracts to ensure they remain aligned to the Committee's overarching Remuneration Policy, regulatory requirements and good practice guidance;

- 8.1.10 Ensure that in relation to each Executive Director and Senior Executive the contractual terms on termination, and any payments made, are fair to the individual and the Society, that failure is not rewarded, that the duty to mitigate loss is fully recognised and that severance payments for Executive Directors are paid in line with regulatory requirements and are fully disclosed in the Directors' Remuneration Report and other relevant regulatory reports;

- 8.1.11 Approve for Board consideration the Directors' Remuneration Report to be included in the Annual Report and Accounts;

- 8.1.12 Be exclusively responsible for establishing selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its obligations;

- 8.1.13 Agree the policy for authorising claims for expenses from the Group Chief Executive and Chairman;

- 8.1.14 Review and approve incentive payments for executives with salaries in excess of £200,000 and be advised of those paid in excess of £275,000 (including base salary, annual and any long term bonus payout) in the performance year; and

- 8.1.15 Review any proposed remuneration structures or pay proposals which fall outside the parameters of the agreed Remuneration Principles.

### 8.2 Governance

- 8.2.1 The Committee shall ensure the adequacy and full disclosure of the Remuneration Policy, the remuneration of its Directors and any material change to their remuneration to the Society's members in the Annual Report and Accounts and other reports/disclosures required by regulation;

- 8.2.2 Ensure that Remuneration Policy and practices of the Society and subsidiary companies are subject to a central independent review (usually by the Group Remuneration Oversight Committee (GROC)) annually;

8.2.3 Ensure that a review of compliance with prevailing regulation, Group policies and procedures is conducted annually by Internal Audit; and

8.2.4 As a general point of governance, no Director or manager shall be involved in any decisions as to their own remuneration.

### **8.3 Material Risk Takers (MRTs)**

8.3.1 Ensure that a suitable process is in place to identify all employees whose professional activities have or may have a material impact on the risk profile of the Prudential Group (Society, Skipton International Limited and Skipton Business Finance) and maintain adequate oversight on an on going basis;

8.3.2 Ensure that remuneration for MRTs complies with regulatory provisions in operation from time to time;

8.3.3 Maintain oversight of the remuneration for MRTs in control functions to ensure that it is sufficiently competitive to attract and retain adequately experienced staff and is structured to encourage impartiality from the business unit overseen; and

8.3.4 Review and approve new Remuneration policies for MRTs taking account of risk management requirements.

### **8.4 Benchmarking**

8.4.1 In determining the remuneration for those referred to in paragraph 8.1.6 the Committee shall, in accordance with the Remuneration Principles, review and agree:

- Overall market positioning of the remuneration package;
- Individual base salaries and increases;
- The design of, and targets for, annual and long term incentive / bonus arrangements, and set the relevant targets for performance related schemes;
- Pension arrangements; and
- Non-retirement benefits.

### **9 Annual Review**

The Committee's Terms of Reference shall be reviewed, at least, annually with agreed changes presented to the Board for approval.

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