



**Skipton Building Society**

**Board Remuneration Committee terms of reference**

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## 1. Purpose

The role of the Skipton Board Remuneration Committee (the “**Committee**”) is to oversee or approve (as detailed in this document) the operation of the remuneration policies and remuneration principles of the Skipton Group (the “**Group**”), which is defined as Skipton Building Society (the “**Society**”) and its subsidiary undertakings including the following key businesses:

- Connells;
- Skipton Business Finance;
- Skipton International; and
- Jade.

In so doing it will:

- 1.1 ensure that remuneration policies, principles and practices are appropriate, market competitive, compelling to new hires and fair and equitable to existing colleagues, to enable the Group to attract, retain and reward people with the right skills experience, knowledge and behaviours to support achievement of the strategic objectives of the Group and of its subsidiaries and the successful delivery of its long-term strategy and to promote long-term sustainable success;
- 1.2 maintain policies which are compliant with applicable governing laws and regulations and aligned, where appropriate, to the remuneration expectations of the PRA and FCA and those set out in the UK Corporate Governance Code;
- 1.3 ensure that remuneration arrangements support and encourage desired behaviours and culture; and
- 1.4 ensure appropriate governance of remuneration practices across the Group and exercise effective and appropriate oversight of these.

## 2. Membership

- 2.1 Appointments to the Committee are made by the board of directors of the Society (the “**Board**”) following consideration of recommendations by the Board Nominations Committee in consultation with the Chair of the Committee.
- 2.2 All members of the Committee shall be non-executive directors of the Society.
- 2.3 The Chair of the Committee should ideally have at least 12 months’ remuneration committee experience on appointment.
- 2.4 The Committee shall be comprised of at least three members, one of whom shall be designated Chair. The Chair of the Board shall not be a member of the Committee but shall have a standing invite to attend Committee meetings.
- 2.5 Members of the Committee will have appropriate knowledge, expertise and professional experience concerning remuneration policies and/or practices and will be provided relevant and timely training on an on-going basis to support them in exercising their duties.
- 2.6 To ensure holistic oversight, at least one member of the Committee shall also be a member of the Society’s Board Risk Committee.
- 2.7 Other individuals, such as the Group CEO, Group Chief People Officer, Group Chief Risk Officer and external advisors may be invited by the Chair of the Committee to attend all or part of any meeting to facilitate the effective operation of the Committee.
- 2.8 Any non-executive director of the Society may, with the agreement of the Chair of the Committee, attend any meeting of the Committee.

- 2.9 Individuals should not attend any part of any meeting where their own remuneration is under discussion.

### **3. Quorum**

- 3.1 Meetings of the Committee shall be quorate where attended by a minimum of two members (and in the absence of the Chair, the members present shall elect a chair). A duly convened meeting of the Committee at which a quorum is present shall be deemed competent to exercise all or any of the authorities, powers and discretions vested in or delegated by the Board.
- 3.2 The Committee aim to make unanimous decisions where possible and appropriate. When this is not the case the duly elected Chair shall make the final decision.
- 3.3 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 electronic communications equipment. 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 present.

### **4. Frequency of meetings**

- 4.1 The Committee shall meet at least four times per year, or on a more frequent basis as agreed by the Chair of the Committee.
- 4.2 Meetings shall be called by the Group Secretary and General Counsel at the request of any of its members.

### **5. Secretary**

The Group Secretary and General Counsel or their nominee shall act as secretary to 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.

### **6. Authority**

- 6.1 The Committee is a committee of the Board and has delegated authority from the Board to which it reports.
- 6.2 The Committee is authorised to:
- 6.2..1 investigate any activity within its terms of reference;
  - 6.2..2 obtain external legal or other independent professional advice, at the Group's expense, as it considers necessary to undertake its duties, and to secure the attendance of any such advisers at any meetings of the Committee;
  - 6.2..3 seek any information it requires from any employee of the Group in order to perform its duties; and
  - 6.2..4 delegate any or some of its responsibilities and authority as it sees fit, including to individual(s) or a sub-committee, in relation to specific issues and subject to reporting back to the Committee.
- 6.3 In the event of any discrepancy between these Terms of Reference and the terms of reference of a board remuneration committee of any Group entity, the provisions of these Terms of Reference shall prevail, except when any discrepancy is as a result of any local legal or regulatory requirements applicable to such Group entity.

## **7. Reporting Responsibilities**

- 7.1 Minutes of Committee meetings shall be circulated by the Group Secretary and General Counsel only to members of the Committee and to the chair of the Board.
- 7.2 The Chair of the Committee will provide a verbal update of the general topics discussed and decisions made, where appropriate, to the Board meeting following each Committee meeting.
- 7.3 Members of the Committee shall support the Society's Senior Manager Function (SMF12) role holder in the delivery of their Prescribed Responsibility in "Overseeing the development of and implementation of the firm's remuneration policies and practices in accordance with SYSC 19D (Remuneration Code)".

## **8. Annual General Meeting**

The Chair of the Committee shall attend the Society's annual general meeting prepared to respond to any member questions on the Committee's activities and the Directors' Remuneration Report.

## **9. Duties of the Committee**

The duties of the Committee are set out in Schedule 1.

## **10. Other**

The Committee shall:

- 10.1 take account of any risks (or increasing risks) as a result of formulating judgements or through exercising its discretion and will take proactive steps to avoid or mitigate such risks where possible;
- 10.2 determine the continuing professional development needs for members of the Committee both at appointment and an on-going basis to ensure that members of the Committee are appropriately skilled;
- 10.3 approve for Board consideration the Directors' Remuneration Report to be included in the Annual Report and Accounts; and
- 10.4 work and liaise as necessary with other Board committees and board remuneration committees across the Group.

## **11. Annual Review**

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

## SCHEDULE 1

The Committee shall approve, be consulted on or be advised in respect of the matters detailed below in relation to members of the Skipton Group.

	THE SOCIETY	SBF	SIL	CONNELLS	JADE
<b>Chair of the Society Board</b> - Determine and agree remuneration for the Chair of the Society Board.	<b>APPROVE</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Executives</b> - remuneration including metrics/calibration (where relevant) and individual outcomes (in accordance with approved remuneration policies and principles) and the design of, and targets for, annual and variable pay (including bonus arrangements but not long-term incentive plans), taking into account: <ul style="list-style-type: none"> <li>the overall market positioning of each remuneration package;</li> <li>individual base salaries and increases;</li> <li>pension arrangements; and</li> <li>non-retirement benefits.</li> </ul> <p><i>N.B. The Committee may receive input from the Board Risk Committee and the Board Audit Committee in relation to any risk or audit matters that may have an impact on the variable remuneration of any executive whose remuneration the Committee is required to approve.</i></p>	<b>APPROVE</b> (includes <b>all</b> members of the Group Executive Committee, i.e. SIL CEO, Connells CEO)*	<b>CONSULT</b> (applies solely to Executive Directors)	<b>CONSULT</b> (applies solely to Executive Directors)	<b>APPROVE</b> (until Connells has its own RemCo, after which <b>CONSULT</b> ) (applies solely to Executive Directors)	<b>APPROVE</b> (includes Jade CEO, as not a Group ExCo member) (applies solely to Executive Directors)
<b>Executives – long term incentive plans</b>	<b>APPROVE</b>	<b>APPROVE</b>	<b>APPROVE</b>	<b>APPROVE</b>	<b>APPROVE</b>
<b>MRTs</b> (identified as such on the list of MRTs presented to the Committee, regardless of employing entity) - metrics/calibration (where relevant) and individual outcomes (in accordance with approved remuneration policies and principles) **	<b>APPROVE</b>	<b>APPROVE</b>	<b>APPROVE</b>	<b>N/A – no MRTs</b>	<b>N/A – no MRTs</b>

Remuneration for <b>employees over the base salary threshold</b> (£200,000 p.a., including base salary, acting up, responsibility or secondment allowances applicable to the performance year)	<b>APPROVE</b>	<b>APPROVE</b>	<b>CONSULT</b>	<b>APPROVE</b> (until Connells has its own RemCo, after which <b>CONSULT</b> )	<b>APPROVE</b>
Employees <b>paid in excess of £275,000 p.a.</b> (including base salary, annual and any long-term bonus or incentive payments) applicable to the performance year	<b>BE ADVISED</b>	<b>BE ADVISED</b>	<b>BE ADVISED</b>	<b>BE ADVISED</b>	<b>BE ADVISED</b>
<b>Whole workforce</b> remuneration – macro and material level, including annual salary reviews and variable pay arrangements (e.g. total salary budget)	<b>APPROVE</b>	<b>APPROVE</b>	<b>CONSULT</b>	<b>APPROVE</b> (until Connells has its own RemCo, after which <b>CONSULT</b> )	<b>APPROVE</b>
<b>Remuneration policies and remuneration principles ***</b> (including annual review): <ul style="list-style-type: none"> <li>• Executive Directors</li> <li>• MRTs</li> <li>• Whole workforce</li> </ul>	<b>APPROVE</b>	<b>CONSULT</b>	<b>CONSULT</b>	<b>APPROVE</b> (until Connells has its own RemCo, after which <b>CONSULT</b> )	<b>CONSULT</b> <b>(Jade board to approve)</b>

*\*The Group Chief Executive shall recommend to the Committee for approval the remuneration for members of the Group Executive Committee, other than for (i) the Group Chief Internal Auditor (which shall be recommended by the Chair of the Board Audit Committee) and (ii) the Group Chief Risk Officer (which shall be recommended by the Chair of the Board Risk Committee). All recommendations to the Committee shall be made in accordance with the approved Remuneration Policy and Principles.*

*\*\* In respect of MRTs, the Committee shall:*

- (i) ensure that their remuneration complies with applicable regulatory provisions in operation from time to time; and*
- (ii) ensure that they are appropriately incentivised and encouraged to provide enhanced performance which promotes the long-term success of the PRA Consolidation Group and the undertakings in the PRA Consolidation Group, aligned to the Skipton Group's purpose, culture and values, promote appropriate behaviours and are in a fair and responsible manner rewarded for individual contributions to the success of the Skipton Group.*

*\*\*\* In relation to all remuneration policies and remuneration principles which the Committee is required to approve under these Terms of Reference, the Committee shall ensure that they:*

- (i) align to the business strategy, risk profile, corporate values, regulatory requirements and the long-term interests of the relevant entity (and in determining such policies and principles shall take into account all factors which it deems necessary including colleagues' remuneration and related policies, fair pay and obligations to support diversity and inclusion);*
- (ii) are transparent, avoid complexity, are easy to understand, proportionate and predictable, aligned to the culture, recognise appropriate behaviours and support effective engagement with members and colleagues; and*
- (iii) promote sound and effective risk management (and in doing so the Committee may liaise with the Society's the Board Audit Committee and Board Risk Committee).*

The Committee shall also have the following competencies:

- 1) The appointment of remuneration consultants to advise the Committee from time to time.
- 2) Maintenance of an effective Risk Adjustment Policy and process for the Society which take into account the Board's risk appetite, capital and liquidity levels and ensure remuneration levels reflect overall performance and exercising independent judgement and discretion as appropriate. The Connells Remuneration Committee, once established, and the SBF and SIL Board Remuneration Committees shall each have responsibility for the maintenance of an equivalent and appropriate Risk Adjustment Policy and process.
- 3) Assessment with regard to variable pay, the achievement of performance targets and the need for ex-ante or ex-post risk adjustments of all colleagues impacted by the Society's Risk Adjustment Policy, including the application of malus and clawback arrangements. Connells, SBF and SIL will consult with the Committee with respect to the need for ex-ante or ex-post risk adjustments of anyone impacted by their relevant Risk Adjustment Policy, including the application of malus and clawback arrangements.
- 4) Oversight of the performance against annual objectives of the Group Chief Executive and Group Executive Committee members.
- 5) Ensure that, in relation to any executive or MRT across the Group whose remuneration the Committee is required to approve under these Terms of Reference, the contractual terms on termination and any payments made:
  - a) are fair to the individual and the relevant employer, within policy and do not reward failure;
  - b) fully recognise the duty to mitigate loss,
  - c) are paid in line with regulatory requirements; and
  - d) are, where applicable, fully disclosed in the relevant directors' remuneration report and other relevant regulatory reports and public disclosures.
- 6) Review and approve any public disclosures relating to the Society's remuneration e.g. the annual gender pay gap and bonus gap reporting.

- 7) Ensure the adequacy and full disclosure of all applicable remuneration policies, the remuneration of the Society's directors and any material change to their remuneration to the Society's members in the Society's Annual Report and Accounts and other reports/disclosures required by regulation.
- 8) On an annual basis, approve a Remuneration Policy Statement for the PRA Consolidation Group (comprising the Society, Amber Homeloans Limited, North Yorkshire Mortgages Limited, Skipton International Limited and Skipton Business Finance Limited) demonstrating compliance with the applicable Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) remuneration rules.
- 9) Ensure that a review of compliance with prevailing regulation, Group remuneration policies, principles and procedures is conducted annually by Group Internal Audit.
- 10) Ensure that, as a general point of governance, no director, executive or employee shall be involved in any decisions as to their own remuneration.
- 11) 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 Society, Skipton Business Finance Limited, Skipton International Limited and/or the PRA Consolidation Group as a whole.