

REMUNERATION COMMITTEE

Terms of Reference

The Remuneration Committee is a committee of the Board of Furness Building Society from which it derives its authority and to which it reports. The remit of the Committee covers the Society and all its subsidiary companies.

MEMBERSHIP

The membership of the Committee shall be the Vice Chairman of the Society, the Chairman of the Board Risk Committee and one other Non-Executive Director appointed by the Board. All members shall be Non-Executive Directors who have no financial interest other than as Directors in the matters to be considered and no involvement in running the Society.

The Chairman of the Committee shall be the Vice Chairman of the Society.

The Chairman of the Society and the Chief Executive shall attend all meetings of the Committee except when asked to withdraw by the Chairman or when their remuneration is being discussed.

The senior officer in the risk and compliance function shall be invited to attend meetings when the requirements of the Remuneration Code in relation to bonus schemes are to be discussed.

AUTHORITY

The Board has delegated the following authority to the Committee:

1. To decide the terms, conditions and remuneration of the Chairman of the Society.
2. To decide the terms, conditions and remuneration of the Executive Directors.
3. To approve the terms, conditions and remuneration of the Controllers on the recommendation of the Chief Executive.
4. To approve the terms, conditions and remuneration of the senior officer in the risk and compliance function on the recommendation of the Chief Executive.
5. To approve all bonus and incentive schemes for the Society and subsidiary companies on the recommendation of the Chief Executive.
6. To recommend to the Board the terms, conditions and remuneration of the Non-Executive Directors.

RESPONSIBILITIES

The Board has delegated the following responsibilities to the Committee:

1. To safeguard the interests, particularly the long-term interests, of the members of the Society, of the Society itself and of other relevant stakeholders in all the Committee's decisions and recommendations.
2. To recommend to the Board the Remuneration Policy of the Society, reviewing it at least annually to ensure that it complies with the UK Corporate Governance Code, the FSA's Remuneration Code and other relevant guidance and that it is aligned with the values of the Society and the Society's risk appetite.
3. To agree a list the staff of the Society who are covered by the FSA's Remuneration Code (the 'Code Staff') and to update the list annually.
4. To monitor terms, conditions and remuneration levels in other building societies, financial services companies and the economy generally to ensure that the Society offers employment packages that will attract, retain and motivate employees of the right calibre in the posts within the Committee's remit.

5. To ensure that the remuneration of Executive Directors includes a performance related element that aligns their interests with those of Society members and that their service contracts contain provisions that ensure poor performance is not rewarded.
6. To approve employment contracts and any termination payments to all staff above controller level.
7. To ensure that the senior officer in the risk and compliance function receives a lower proportion of variable remuneration which would not be profit based to prevent any conflict of interest but their overall remuneration is sufficient to attract and retain staff of adequate calibre.
8. To secure agreement to the Committee's decisions and recommendations from the senior officer in the risk and compliance function and to ensure specifically, with the Chairman of the Board Risk Committee and/or the Senior Risk Officer, that bonus/incentive schemes used by the Society reflect the Society's values.
9. To prepare an annual report to Members for inclusion in the Annual Report & Accounts.
10. To confirm to the Board of the Society annually that the aggregate remuneration of Directors (Non-Executive Directors' fees plus a notional allowance for fees at a similar level paid to Executive Directors) meets the requirement of Rule 19 of the Society.

While the Committee has no responsibility for setting remuneration for other Society staff it should maintain oversight of remuneration policy and practices generally within the Society, including pension policy in particular, and make recommendations to the Board as appropriate.

MEETINGS OF THE COMMITTEE

The Chairman of the Committee, the Chairman of the Society or the Chief Executive may convene meetings of the Committee at any time.

The quorum shall be two. In the event of difficulty achieving a quorum from appointed members of the Committee other Non-Executive Directors may be co-opted for individual meetings. The Chairman of the Committee does not have a casting vote.

REPORTING

The Chairman of the Committee should report verbally on the proceedings of the Committee to the first meeting of the Board of the Society following each Committee meeting.

Minutes of the Committee should be included as a private agenda item at the first meeting of the Board following their confirmation by the Committee. Circulation of the minutes should be restricted to Non-Executive Directors and the Chief Executive. File copies of the minutes should be held by the Chief Executive.

Minutes of the Committee should be available to the Senior Compliance Officer and Internal Auditor for review to ensure compliance with the FSA's Remuneration Code.

The Chairman of the Committee or, if he/she is not available, another member of the Committee should be available at the Annual General Meeting to answer questions from members of the Society regarding the terms, conditions and remuneration of staff within the Committee's remit.

The Chairman of the Committee should submit a written report annually to the Board of the Society on the work of the Committee in the preceding financial year.

The members of the Committee should be listed in the Society's Annual Report & Accounts and the Committee should ensure that its Terms of Reference are available to Society members.

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