

REMUNERATION COMMITTEE TERMS OF REFERENCE – March 2018

1. MEMBERSHIP	
1.1	The Remuneration Committee is a committee of the Board of Furness Building Society Board from which it derives its authority and to which it reports.
1.2	The Committee shall comprise at least three members. All members shall be independent Non-Executive Directors who have no financial interest other than as Directors in the matters to be considered and no involvement in the running of the Society. The following shall be members of the Committee: <ol style="list-style-type: none"> 1. Vice-Chairman of the Society 2. Chairman of the Board Risk Committee 3. One other Non-Executive Director The Chairman of the Committee shall be the Vice Chairman of the Society.
1.3	Members of the Committee have the right to attend Committee meetings. The Chief Executive and the Chief Risk Officer shall attend all meetings of the Committee except when asked to withdraw by the Chairman or when their remuneration is being discussed.
1.4	The membership of the Committee is reviewed annually by the Society's Board of Directors.
1.5	The Chairman appointment is subject to PRA approval for the Chair to hold SMF12.
2. SECRETARY	
2.1	The Head of HR or their nominee shall act as the Secretary of the Committee.
3. QUORUM	
3.1	The quorum necessary for the transaction of business shall be 2 members. 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 Chair of the Committee does not have the casting vote.
4. FREQUENCY OF MEETINGS	
4.1	The Committee shall meet at appropriate times and at least 4 times a year, otherwise as required.
4.2	The Chairman of the Committee, the Chairman of the Society or the Chief Executive may convene meetings of the Committee at any time.
5. NOTICE OF MEETINGS	
5.1	Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members, the Society Board, or at the request of External or Internal Auditor if they consider it necessary.
5.2	A notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee and any other person required to attend, generally no later than five working days before the date of the meeting.
6. MINUTES OF MEETINGS	
6.1	The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance and any conflicts of interest divulged at the meeting.
6.2	Minutes of the Committee should be included in draft as an agenda item at the first meeting of the Board following the Committee meeting. File copies of the minutes should be held by the Chief Executive.
	Minutes of the Committee should be available to the Board, unless they relate to an individual's own remuneration and performance, for which a private minute will be recorded. The minutes will also be made available to the Internal Auditor for review to ensure compliance with the Remuneration Codes issued by the FCA and/or the PRA from time to time.
6.3	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.
6.4	File copies of the minutes should be held by the Secretary of the Committee.
7. ANNUAL GENERAL MEETING	
7.1	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.

8. DUTIES

The Board has delegated the following authority to the Committee:	
8.1	To promote effective risk management practices and decisions which protect the long term interests of the Society, its members and other stakeholders.
8.2	To recommend to the Board the Board Statement on Remuneration, reviewing it at least annually to ensure that it complies with the UK Corporate Governance Code, Remuneration Codes issued from time to time by the FCA and/or the PRA and other relevant guidance and that it is aligned with the values of the Society and the Society's risk appetite.
8.3	At the recommendation of the Chief Risk Officer, to agree a list of the staff of the Society who are covered by Remuneration Codes issued by the FCA and/or the PRA from time to time and to update the list annually.
8.4	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. The Committee will maintain a balance against the overarching need to be affordable in the context of the Society's performance.
8.5	To ensure remuneration packages comply with the Remuneration Code to satisfy both of the following conditions: Condition 1 is that the staff member's variable remuneration is no more than 33% of total remuneration; and Condition 2 is that the staff member's total remuneration is no more than £500,000.
8.6	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.
8.7	To approve employment contracts and any termination payments for all Executive staff members.
8.8	To ensure that the Chair of the Risk Committee reviews the performance and annual objectives of the Chief Risk Officer to prevent any conflict of interest.
8.9	To secure agreement to the Committee's decisions and recommendations from the Chief Risk Officer and to ensure specifically, with the Chair of the Risk Committee, that bonus/incentive schemes used by the Society comply with the Remuneration Codes issued from time to time by the FCA and/or PRA and other relevant guidance as appropriate to the size of the Society.
8.10	To prepare an annual report to Members for inclusion in the Annual Report & Accounts.
8.11	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.
8.12	While the Committee has no responsibility for setting remuneration for other Society staff below Executive level, it should maintain oversight of the Remuneration Policy Statement and practices generally within the Society, including pension policy in particular, and make recommendations to the Board as appropriate

9. REPORTING RESPONSIBILITIES

The Committee shall:	
9.1	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.
9.2	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.
9.3	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

10. OTHER MATTERS

The Committee shall:

10.1	Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
10.2	Give due consideration to laws and regulations, the provisions of the Code and any other applicable Rules, as appropriate.
10.3	Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. AUTHORITY

The Board has delegated the following authority to the Committee:

11.1	To decide the terms, conditions and remuneration of the Chairman of the Society.
11.2	To decide the terms, conditions and remuneration of the Executive Directors.
11.3	To approve the terms, conditions and remuneration where salary levels are benchmarked over £80k per annum on the recommendation of the Chief Executive.
11.4	To approve the terms, conditions and remuneration of the Chief Risk Officer on the recommendation of the Chief Executive.
11.5	To approve all Senior Management bonus schemes and accruals on the recommendation of the Chief Executive.
11.6	To propose to the Board the terms, conditions and remuneration of the Non-Executive Directors, on the recommendation of the CEO.