

# Remuneration Committee Terms of Reference – November 2023



<b>1. MEMBERSHIP</b>	
1.1	The Remuneration Committee is a Sub-Committee of Furness Building Society's Board of Directors.
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"> <li>1. Chair of the Remuneration Committee</li> <li>2. Chair of the Board Risk Committee</li> <li>3. Non-Executive Director</li> </ol>
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 as attendees except for when discussing their remuneration or as requested by the Chair to prevent any potential conflict of interest.
1.4	The membership of the Committee is reviewed annually by the Society's Board of Directors.
1.5	The Chair appointment is subject to Regulatory approval to hold SMF12.
1.6	The Chair should have served on the Committee for at least 12 months in line with the UK Corporate Governance Code.
<b>2. SECRETARY</b>	
2.1	The Head of HR or their nominee shall act as the Secretary of the Committee.
<b>3. QUORUM</b>	
3.1	The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. The Chair of the Committee does not have the casting vote.
<b>4. FREQUENCY OF MEETINGS</b>	
4.1	The Committee shall meet as often as it shall find necessary but shall hold a minimum of 5 meetings each calendar year.
<b>5. NOTICE OF MEETINGS</b>	

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.
<b>6. MINUTES OF MEETINGS</b>	
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	Draft minutes of Committee meetings shall be circulated to all members of the Committee and to all other members of the Board unless it would be inappropriate to do so.  Private minutes may be recorded in some circumstances for limited distribution.
6.3	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.
<b>7. ANNUAL GENERAL MEETING</b>	
7.1	The Committee Chair should attend the Annual General Meeting to answer members' questions on the Committee's activities however, all Committee members are expected to attend the Annual General Meeting as per the Board of Director's Terms of Reference.
<b>8. COMMUNICATION WITH MEMBERS</b>	
8.1	These Terms of Reference shall be made available to the Society's members. A separate section in the Annual Report & Accounts will describe the work of the Committee in discharging its responsibilities.
<b>9. DUTIES</b>	
The Committee shall:	
9.1	To promote effective risk management practices and decisions which protect the long term interests of the Society, its members and other stakeholders.
9.2	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, latest Remuneration Codes issued 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.
9.3	At the recommendation of the Chief Risk Officer, 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.

9.4	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.
9.5	To ensure remuneration packages comply with the Remuneration Code.
9.6	To ensure that the remuneration of Executive Directors includes a performance related element that aligns their interests with those of Society stakeholders and that their service contracts contain provisions that ensure poor performance is not rewarded.
9.7	To approve employment contracts and any termination payments for all Executive staff members.
9.8	To exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.
9.9	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.
9.10	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 latest Remuneration Codes issued by the FCA and/or PRA and other relevant guidance as appropriate to the size of the Society.
9.11	To prepare an annual report to Members for inclusion in the Annual Report & Accounts.
9.12	To confirm to the Board of Directors 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.
9.13	<p>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, and make recommendations to the Board as appropriate.</p> <p>The Committee should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration.</p>
<b>10. REPORTING RESPONSIBILITIES</b>	
The Committee shall:	
11.1	Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities (excluding sensitive or confidential information).

11.2	Make recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
11.3	Produce an annual report to the Board on its activities to be included in the Society's Annual Report & Accounts
11.4	Ensure appropriate availability of Terms of Reference of the Committee to members and staff.
11.5	To ensure the Remuneration Committee report for inclusion in the Annual Report & Accounts (available on the Society's website) complies with the provisions of the UK Corporate Governance Code.

## 11. AUTHORITY

The Committee is authorised to:

12.1	To decide the terms, conditions and remuneration of the Chair of the Society.
12.2	To decide the terms, conditions and remuneration of the Executive Directors.
12.3	To approve the terms, conditions and remuneration where salary levels are benchmarked over £100k per annum (plus 10% flexibility) on the recommendation of the Chief Executive.
12.4	To approve the terms, conditions and remuneration of the Chief Risk Officer on the recommendation of the Chief Executive.
12.5	To approve all Senior Management bonus schemes and accruals on the recommendation of the Chief Executive.

## 12. OTHER MATTERS

The XY is authorised to:

13.1	Be provided with appropriate and timely training, both in the form of an induction programme for new Committee members and on an ongoing basis for all Committee members.
13.2	Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and any other applicable Rules, as appropriate.
13.3	Arrange for periodic reviews of its own performance and, at least annually, review its Terms of Reference to ascertain whether it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## APPENDIX 1 – KEY RISK DOCUMENTS AND GOVERNANCE

Policies for Approval
Relocation Policy
Board Statement of Remuneration
Policies for Review and Recommendation to the Board
n/a