



TERMS OF REFERENCE - GROUP REMUNERATION COMMITTEE

- 1. Composition:** All non-executive directors.
- 2. Chairman:** As determined from time to time by the Society's Board of Directors.
- 3. Quorum:** Three members of the Committee following notification to all members of the Committee giving at least 24 hours' notice of the meeting.
- 4. Attendees:** At the invitation of the Chairman of the Committee.
- 5. Frequency of meetings:** At least twice per annum.
- 6. Notice of meetings:** Given by the Chairman of the Committee, usually verbally at Board Meetings, although any member of the Committee is entitled to call a meeting subject to giving every member at least 24 hours' written notice.
- 7. Minutes:**

The Committee will appoint a Secretary who shall minute the proceedings and resolutions of all meetings of the Committee.

Draft minutes of Committee meetings shall be circulated promptly to the Chairman of the Committee, and once agreed, to all members of the Board.
- 8. Reporting arrangements:** Minutes, or a verbal report by the Chairman of the Committee, are considered by the Board at its next meeting following the Committee meeting, whereupon recommendations arising from the meeting are considered and approved or rejected as appropriate.
- 9. Annual General Meeting:**

In compliance with statutory obligations and best practice regarding disclosure of Directors' remuneration and benefits, the Chairman shall make a statement in the Annual Report on behalf of the Committee about its activities.

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any member questions on the Committee's activities.
- 10. Principal purposes:**

Consideration of all matters relating to the performance, remuneration and terms and conditions of employment of all Executive Directors of the Society and its subsidiaries and the remuneration and terms and conditions of employment of all other Group employees deemed to be "Code Staff" in compliance with statutory obligations and best practice, notably as regards observance of the FSA's Remuneration Code (the Code) and the Code of Practice on Taxation for Banks.

Subject to the basic fee for Non-executive Directors having been determined by the Executive Directors, the setting of the additional payments for the Chairman of the Board, the Chairmen of the Audit, Remuneration and Risk Committees and the Senior Independent Director, with the Committee members not taking part in discussions concerning their own remuneration.

11. Items considered:

At least annually, the Group Remuneration Policy Statement, with submission to the Board of recommendations for changes in order to ensure compliance with the Risk Principles set out in the FSA Remuneration Code as they apply to the Group.

The annual review of the performance, salaries and incentive payments made to Executive Directors.

Current trends in remuneration and benefits for senior executives within the financial services sector and more widely.

All benefits and terms of employment of all Executive Directors, with particular reference to the contractual terms on termination, ensuring that any payments made are compliant with the FSA Remuneration Code, notably as regards not rewarding failure.

Changes to Executive Directors' service contracts.

The detailed composition of any incentive payments scheme for Executive Directors and their immediate subordinates, ensuring that it is compliant with the FSA Remuneration Code and reflects the views of the Board Group Risk Committee as regards consistency with the Group's risk appetite.

The forecast payments under the Society's incentive payment scheme. In this regard the Finance Director shall provide a report to each meeting forecasting incentive payments based upon the latest full year forecast.

An annual report from the Chief Executive detailing the remuneration, incentive payments, changes to the terms and conditions of employment and succession planning for each Executive Director's immediate subordinates.

The structure of remuneration packages for Executive Directors and their immediate subordinates, ensuring that proper amounts of tax and national insurance contributions are paid on the rewards of employment, in order to ensure compliance with the Code of Practice on Taxation for Banks.

12. Other

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

13. Authority:

The Committee is authorised by the Board to:

- a) To investigate any activity within its terms of reference.
- b) To seek any information it requires from employees and external bodies in furtherance of satisfying its obligations arising from its terms of reference.
- c) To obtain at the Society's expense, outside legal or other professional advice on any matters within its terms of reference.
- d) To select and instruct remuneration consultants as deemed necessary but usually at intervals of not more than three years.