



Hanley
ECONOMIC
Building Society

2021

Remuneration Committee Terms of Reference

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Author: Head of HR

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1 CHANGES SINCE LAST REVIEW

Date of change	Section	Description of change	Author
Jan 2021	4.1	Addition of Chair responsibilities	EG
Jan 2021	4.2	Addition of membership and tenure to be Chair of the meeting	EG
Jan 2021	9, 9.1 and 9.2	Review of requirements against FCA and Corporate Governance requirements	EG

2 CONSTITUTION

The Remuneration Committee is constituted as a Sub Committee of the Board of the Hanley Economic Building Society. The Committee is authorised by the Board to act in accordance with its Terms of Reference.

3 PURPOSE

The Remuneration Committee's purpose is to consider and set remuneration levels for Executive Directors, the Society's Chairperson and Senior Management which will attract and retain high calibre staff, and to review and encourage excellent performance through rewards directly linked to the achievement of the Society's strategic objectives having regard to the guidelines set out in the UK Corporate Governance Code.

4 MEETINGS AND MEMBERSHIP

4.1 CHAIR

The Chair of the Committee is a Non-Executive Director. The Chair of the Committee will be appointed by the Board. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

The chair of the remuneration committee has responsibility for chairing, and overseeing the performance of the committee responsible for the oversight, design and the implementation of the remuneration policies of the Society as they relate to executive directors and senior management.

4.2 MEMBERSHIP

- The Committee comprises of the Chair and at least 2 independent Non-Executive Directors.

The chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.

The Chief Executive and the Head of HR will attend at the request of the Committee. The Committee may invite persons it considers have relevant experience, expertise or knowledge to address it.

5 QUORUM

Two Non-Executive Directors one of which must be the Chair.

6 FREQUENCY OF MEETINGS

Meetings will be held at times determined by the Committee, but will be held at least twice per financial year, normally January and September.

7 MINUTES AND ADMINISTRATION

The head of HR will provide an agenda and supporting documents for each meeting. A minute taker will attend each meeting and Minutes will be private but available to the full Board.

8 REPORTING

At least half yearly to full Board which will include outcomes and any decisions made or recommendations which may require approval from Board.

9 RESPONSIBILITIES/TERMS OF REFERENCE

- To ensure compliance with (or where appropriate regard to given the nature of the Society) the UK Governance Code and other guidance, regulation or law which the Society is either subject to or in the opinion of the Committee it would be good practice to follow (Regulation);
- To benchmark the remuneration packages of Executive Directors, senior management and the Chairperson of the Society within the building society industry specifically and within the financial services and broad market-place generally whilst taking into account the long-term interests of Members;
- To make recommendations for the appropriate remuneration package for Executive Directors, the Society's Leadership Team and the Chairperson of the Society with regard to their duties, responsibilities and performance;
- To be responsible for considering total reward packages for Executive Directors, the Leadership team and the Chairperson of the Society to ensure the Society attracts and retains Executive Directors, Leaders and Chairperson of sufficient calibre for its continued success;
- To ensure that Executive Directors, Senior management and the Chairperson of the Society are fairly rewarded for their individual contributions to the Society's overall performance, within the performance management framework of the Hanley;
- To make recommendations for the appropriate remuneration package for any employee of the

Society with regard to their duties, responsibilities and performance where it is appropriate to do so to comply with Regulation;

- To ensure formulaic outcomes are avoided and the Committee retains discretion concerning remuneration and in particular bonus or other incentive payments;
- To review workforce wide remuneration and policies and to take these into account when considering remuneration;
- To ensure its decisions are consistent with an assessment of the Society's financial condition and future prospects;
- Remuneration of the senior officers in risk management and compliance functions is directly overseen by the remuneration committee;
- The Committee will not review Non-Executive Director remuneration. For the avoidance of doubt this will be determined by the Chairperson of the Society and the Chief Executive;
- The Committee will not ordinarily discuss anything that has not been made available to them in advance. Committee members will familiarise themselves with all material issued in advance of any meeting such that they are able to discuss and debate the content.

9.1 VARIABLE REMUNERATION

The Committee ensures that any measurement of performance used to calculate variable remuneration components or pools of variable remuneration components, and allocation of variable remuneration:

- includes adjustments for all types of current and future risks, taking into account the cost and quantity of the capital and the liquidity required; and
- takes into account the need for consistency with the timing and likelihood of the Society receiving potential future revenues incorporated into current earnings.

The Committee will ensure qualitative judgments and common sense is applied in the final decision about the performance-related components of variable remuneration pools. The Board or Remuneration Committee take the lead in determining the measures to be used. This offers the appropriate checks and balances to prevent inappropriate manipulation of the measures used. The Society will assess financial performance, principally based on profits, to calculate variable remuneration components or pools of variable remuneration components.

9.2 CORPORATE GOVERNANCE CODE

To ensure the UK Corporate Governance Code (where appropriate) is taken into account as follows:

- In determining levels of remuneration the Remuneration Committee should consider where to position the Society relative to other Societies and comparable organisations.

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- The Committee should consider the pension consequences and associated costs to the Society of directors close to retirement.
- To ensure compliance with the relevant FCA's Remuneration Code (SYSC 19A of the FCA Handbook) to be reviewed annually.
- The procedure should be formal and transparent.

When determining executive director remuneration policy and practices, the remuneration committee addresses the following:

- Clarity – remuneration arrangements should be transparent and promote effective engagement with stakeholders and the workforce. The Society has nominated 1 non-executive director to engage with the workforce;
- Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
- risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
- predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
- Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and
- Alignment to culture – incentive schemes should drive behaviours consistent with Society's purpose, values and strategy.