

Remuneration Committee: Terms of Reference

1. The Role of the Remuneration Committee

- a) The Committee is a committee of the Board of Scottish Building Society from which it derives its authority. It was established by the Board to review remuneration policy for all directors and has delegated authority from the Board to make decisions regarding general remuneration, contractual and HR arrangements, subject to overview by the Board.

2. Membership and Attendees

- a) The Committee is appointed by the Board. All members of the Committee are independent, non-executive directors of the Society. The Committee consists of not less than three members and a quorum is two members present in person or by video or audio conference. The Chairperson of the Board may be a member of, but may not chair the Committee.
- b) Only members of the Committee have the right to attend Committee meetings. Other individuals such as other members of the Executive or Management team may be invited to attend as and when appropriate and necessary.
- c) The Committee may sub-delegate any or all of its powers and authorities as it thinks fit to one or more of its members or the Society Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

3. Secretary

- a) The Society Secretary or his or her nominee shall act as the Secretary of the Committee.

4. Meeting Governance

- a) The Committee shall meet for the despatch of business as often as it shall find necessary, with expectations of a minimum of four full and formal Committee meetings. The meetings of the Committee will be held in parallel with those of the Nomination Committee although the agenda for each meeting is split into two parts to ensure nomination and remuneration issues are considered separately and to recognise the different membership of the two committees.
- b) The Secretary of the Committee shall call meetings in accordance with the schedule agreed. Additional meetings may be called by any Committee member or at the request of the Chief Executive, Finance Director or the Chief Risk Officer.
- c) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- d) Meetings of the Committee may be conducted when the members are physically present together or by using the form of video and/or audio conferences.
- e) At each meeting, the Committee shall, review and evaluate any potential or actual conflict of interest of the Committee members.

- f) Questions arising at a meeting shall be resolved by a majority of votes and, in the case of equal votes, the Chairperson of the meeting shall have a second or casting vote.
- g) Written resolutions are permitted but must be undertaken in accordance with the requirements set out in the Society's Rules with written consent required from all Committee members for approval.

5. Minutes of meetings

- a) The Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- b) Draft minutes of the Committee meetings shall be circulated promptly to the Chairperson of the Committee. Once approved, minutes should be circulated to all other members of the Committee unless it would be inappropriate to do so.
- c) Final signed copies of the minutes of the meetings of the Committee should be maintained for the Society's records.

6. Responsibilities

Remuneration and Contractual Arrangements

- a) To have delegated responsibility for determining the policy for directors' remuneration and setting remuneration for the Company's Chair and executive directors.
- b) To design remuneration policies and practices to support strategy and promote long term sustainable success, with executive director remuneration aligned to Society purpose and values, clearly linked to the successful delivery of the Society's long term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances.
- c) When determining executive director remuneration policy and practices, consider the Governance Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- d) No director or senior manager shall be involved in any decisions as to their own remuneration outcome. On the recommendation of the Committee, the Board itself should review annually the fees paid to non-executive directors and make decisions subject to Society performance and market practice and expectations.
- e) To set annual objectives for the Chief Executive, review his annual appraisals as carried out by the Board Chairperson, input to the annual appraisals of the other Executive Director, and make decisions regarding the salary and annual bonus for both, subject to Board overview.
- f) To consider recommendations from the Chief Executive regarding bonus and salary arrangements for management and staff, and make decisions regarding these, subject to Board overview.
- g) To review the Society's Remuneration Policy and to make recommendations to the Board regarding changes in relation to the former. The objective of such policy should be to attract, retain and motivate executive management of the quality required to run the Society successfully without paying more than is necessary, having regard to market practice and the views of stakeholders.

- h) To review the contractual framework and policy for remuneration and benefits for executive directors, senior management and staff, (including arrangements for appraisal and performance management) to:
 - i. ensure the reward, incentives and conditions available to all staff are taken into account when deciding the pay of executive directors and senior management;
 - ii. provide feedback to the Board on the alignment of incentives and rewards with culture; and
 - iii. to make recommendations to the Board regarding changes.
- i) To be responsible for selecting and appointing any remuneration or similar consultants to advise the Committee as required and to exercise independent judgement when evaluating their advice or receiving views from executive directors and senior management. The Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants but such advice can be considered as part of the process.
- j) Monitoring and assessing the development of the Society's Culture including oversight of colleague engagement surveys and subsequent actions, reporting to Board where decisions are necessary.

7. Delegated Authority from Board

- a) The Board has a formal schedule of matters that are reserved to it, and it has delegated authority to the Remuneration Committee, as detailed in the appendix to the Board Terms of Reference.
- b) In managing the authorities delegated to the Remuneration Committee, the Board shall receive from the Committee Chair a report on proceedings after each meeting on key decisions and discussions within its duties and responsibilities.
- c) The Committee Chair should perform a periodic assessment of whether responsibilities included in the Terms of Reference document have been achieved. The results of this exercise should be reported to the Board and appropriate action should be taken where it is identified that responsibilities have not been realised.
- d) The Committee is authorised to make whatever recommendations deemed appropriate on any area within its remit where action or improvement is needed.

8. Other Matters

- a) Committee members are authorised to seek any information required from any employee of the Society in order to perform their duties.
- b) The Committee is authorised to obtain, at the Society's expense, external legal or other professional advice on any matter within its authority.

Date Remit last reviewed

June 2021