

Terms of Reference – People Remuneration and Culture Committee (PARC)

1.	Authority & Purpose	<ul style="list-style-type: none"> • The Board has established a committee to be known as the People, Remuneration and Culture Committee (PARC) to assist it in fulfilling its oversight and governance responsibilities in connection with its people, remuneration and culture activities. • The purpose of the PARC is as follows: <ul style="list-style-type: none"> ○ Remuneration, culture and people policies and practices designed to support strategy and promote long-term sustainable success. ○ Executive remuneration aligned to the Society’s Purpose and Values, and clearly linked to the successful delivery of the company’s long-term strategy. ○ A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration. No director should be involved in deciding their own remuneration outcome. ○ Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.
2.	Chair	<ul style="list-style-type: none"> • The Chair of the PARC will be a Non-Executive Director (NED) (who must not be the Society’s Chair) appointed by the Board following consideration and recommendation to the Board by the Nomination and Governance Committee. • If the Chair is absent a NED will be nominated by agreement between the members and will chair the meeting.
3.	Members	<ul style="list-style-type: none"> • Members of the PARC shall be appointed by the Board following consideration and recommendation by the Nomination and Governance Committee. • The Committee will comprise at least two further NEDs in addition to the Chair. • Before appointment as Chair of the PARC, the appointee should have served on PARC (or the predecessor Remuneration Committee) for at least 12 months. • The Chair of the Board can only be a member if they were independent on appointment. • The maximum term for PARC membership is 6 years. • Each member is appointed annually at the Board meeting following re-election at the Annual General Meeting.
4.	Standing Attendees	<ul style="list-style-type: none"> • CEO • CRO • CFO • Head of People & Culture

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5.	Additional Invitees	<ul style="list-style-type: none"> • NEDs may attend any Meeting without invitation (and where possible will give notice of their intention to do so to facilitate them receiving the Committee papers in advance). • The Head of Internal Audit may attend any Meeting without invitation (and where possible will give notice of their intention to do so to facilitate them receiving the Committee papers in advance). • The Committee may require any individual(s) to attend a Meeting. • Specialists may be requested to attend for specific items to provide advice and support or make presentations.
6.	Quorum	<ul style="list-style-type: none"> • For a meeting to be quorate, a minimum of 2 members must be present.
7.	Meeting Frequency	<ul style="list-style-type: none"> • The PARC will meet as a minimum four times per year. • The Chair of the PARC may convene additional meetings of the Committee as required on his or her own initiative or at the request of the CEO or the Head of People and Culture.
8.	Secretary & Secretarial Functions	<ul style="list-style-type: none"> • The Society’s Secretary (or their nominee) will be the Secretary of the Committee.
9.	The Committee receives its Authority from	<ul style="list-style-type: none"> • The PARC reports directly to the Board. • The PARC is a committee of the Board without executive powers. • It is authorised by the Board to investigate any activity within its terms of reference and seek any information that it requires from any employee of the Society or its subsidiaries. • All employees are directed to cooperate with any request made by the BRC.
10.	Scope of this Committee’s Oversight & Responsibility	<ol style="list-style-type: none"> a) Responsibility for determining the <u>policy</u> for executive director remuneration and setting remuneration for the Chair of the board, the Non-Executive Directors, executive directors and senior management. b) Review employee remuneration and related policies and the alignment of incentives and rewards with culture. c) Determine the overall pay review approach for the Society as a whole. d) Review and approve the PRA Remuneration Policy Statement and list of Material Risk Takers. e) Obtain reliable, up to date information about remuneration in other businesses of comparable scale, complexity and location to inform decisions. f) Responsibility for approval for the introduction of new incentive pay plans or any significant changes to such plans. g) Determine targets for incentive pay plans operated by the Society ensuring such arrangements are compliant with the requirements of the PRA Remuneration Code and applicable law and regulation.

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		<ul style="list-style-type: none"> h) In assessing the targets for incentive pay plans, ensure that risk adjustments for current and future risks are built into the scope of all decisions relating to variable remuneration. i) For any incentive pay plans determine each year whether awards will be made, and if so, the overall amount of such awards and the individual awards to be made to participants under any such plan ensuring such arrangements are compliant with the requirements of the PRA Remuneration Code and applicable law and regulation. j) Determine the policy for, and scope of all pension arrangements. k) Determine the remuneration of Executive Directors and senior managers, in consultation with the Chief Executive for his or her direct reports including any decisions on clawback, deferral and malus assessments required under the Remuneration Code. l) Receive updates from the Head of People & Culture on the remuneration of Material Risk Takers including any decisions on clawback, deferral and malus assessments required under the Remuneration Code for such employees. m) Oversee any major changes in employee benefits structures throughout the Society. n) Oversee the Society’s training and development strategy. o) Ensure that contractual terms on the appointment and termination of employment of executive directors and executive managers, and any payments made, are fair to the individual and the Society, that failure is not rewarded and that the duty to mitigate loss is fully recognised. p) Receive from the Chief Risk Officer annually an assessment of whether the Society’s Remuneration Policy is compliant with the PRA Remuneration Code including whether it encourages excessive risk-taking and act on its findings, as appropriate. q) Have regard to any relevant advice from the Board Risk Committee to satisfy itself that performance objectives do not drive excessive risk taking and that reward takes account of risk management performance. r) Be exclusively responsible for establishing the selection criteria for selecting, appointing and setting the terms of reference for, and monitor the performance of, any remuneration, people or culture consultant or other external professional adviser who may advise the Committee. s) Ensure that the disclosure of remuneration, including pensions, in the Society’s Report & Annual Accounts and the Directors’ Remuneration Report is accurate and meets required standards. t) Ensure that the disclosure of remuneration, both internally, and externally within the Society’s Pillar 3 Disclosures follows the Prudential Regulation Authority’s rules regarding remuneration disclosure in compliance with the Capital Requirements Directive (CRD IV) and including the guidelines published by the European Banking Authority on remuneration rules for
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		<p>high earners as required under Article 75 of CRD IV.</p> <ul style="list-style-type: none"> u) If the Committee has appointed remuneration consultants, the annual report of the Society’s remuneration policy should identify such consultants and state whether they have any other connection with the Society. v) Determine the policy for the approval of the expenses of the Chief Executive. w) Approve or decline the retention by executive directors and senior managers of any financial rewards from external directorships or similar appointments. x) Review the Board Chair’s fees at least annually and make recommendations to and seek approval from the Board for any changes. y) To consider loans to directors or connected persons before approval. z) To review and oversee the culture of the Society by reference to any appropriate tools such as a Culture Survey, an Employee Engagement or Feedback Survey, or guidance given by regulators or industry groups such as the Building Societies Association, the Lending Standards Board or the Banking Standards Board. aa) To receive feedback and analysis from the Society’s People Forum of any similar Group. bb) To consider all people policy changes that the Executive Committee has asked it review and oversee. cc) A key consideration for the People, Remuneration and Culture Committee is the diversity of the Society’s workforces, at all levels. The Society recognises the benefits a diverse workforce can bring and is committed to a culture that attracts and retains talented people to deliver outstanding performance. Appointments are made on merit and against objective criteria, whilst still giving consideration to diversity in respect of gender and other measures. dd) Monitor diversity (including Annual Gender Pay Gap reporting and the Women in Finance Charter) and any associated actions.
<p>11.</p>	<p>Reporting and Escalation</p>	<p>Report to Board</p> <ul style="list-style-type: none"> • The PARC will report to the Board by way of a written report following each Committee meeting. The report will be delivered by the Chair of the PARC, assisted by the Head of People & Culture. The written report will append the committee minutes. • The Chair of the Committee may provide an update verbal report on the activities of the Committee to the Board to supplement the written report, where needed. <p>Annual Report</p> <ul style="list-style-type: none"> • There should be a description of the work of the remuneration committee in the annual report, including:

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		<ul style="list-style-type: none"> ○ an explanation of the strategic rationale for executive directors’ remuneration policies, structures and any performance metrics; ○ reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps; ○ a description, with examples, of how the remuneration committee has addressed the following factors: <ul style="list-style-type: none"> ▪ clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and 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 company purpose, values and strategy; ○ Whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary; ○ What engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes; ○ What engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and ○ To what extent discretion has been applied to remuneration outcomes and the reasons why.
12.	Authority Delegated by this Committee	
13.	Administration	<ul style="list-style-type: none"> ● Meetings of the Committee shall be scheduled annually in advance. ● Meetings will take place at least 10 working days before the Board meeting

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		<p>that it is to report to.</p> <ul style="list-style-type: none"> Any agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee, no later than five working days before the date of the meeting.
14.	Head of People and Culture Private Meeting with Members	<ul style="list-style-type: none"> The members will meet with the Head of People and Culture, in the absence of Executive Directors, at every PARC meeting.
15.	Member Training	<ul style="list-style-type: none"> Members shall 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.
16.	Effectiveness Review	<ul style="list-style-type: none"> At least annually, carry out a review of its performance and its Terms of Reference to ensure it is operating effectively and recommend any changes to the Nomination and Governance Committee and the Board for consideration and approval.
17.	Minutes	<ul style="list-style-type: none"> Minutes of Committee meetings will be submitted For Noting to the Board following each meeting where relevant.
18.	ToR Last Approved	<ul style="list-style-type: none"> 18 December 2018