

Remuneration and Nominations Committee Terms of Reference

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1. Purpose

The Remuneration and Nominations Committee (the Committee) is a Committee of the Board of Directors responsible for:

- Making recommendations to the Board on the Remuneration Policy of the Harpenden. The Committee recommends to the Board the level and structure of remuneration, including pensions and any compensation payments for the Chairman, all Executive Directors and other Society staff in line with the Prudential Authority Remuneration Code and the UK Corporate Governance Code
- Leading the process for Board and Board Committee appointments, re-appointments, removals, succession planning of the Board and Board effectiveness reviews. This ensures that the Board and its Board Committees has the right balance of skills, knowledge, experience, independence and diversity to enable them to discharge their duties and responsibilities effectively.

2. Membership

Members of the Committee are appointed by the Board and shall comprise three members all of whom shall be non-executive directors. The Chair of the Committee shall be appointed by the Board from amongst the Non-Executive Directors but shall not be the Chair of the Board who may be a member.

Only members of the Committee have the right to attend meetings. However, other individuals, such as the Chief Executive, the Finance Director, other members of the Senior Management Team and external advisors may be invited to attend for all or any part of any meeting, as and when appropriate and necessary.

In the absence of the Committee Chair the appointed deputy shall chair the meeting.

No Director will be involved in deciding his or her own remuneration.

All new members of the Committee will be informed of the role of the Committee, their responsibilities and will be provided with the ongoing support and training required by role.

| Role | Status | Deputy |
|--|---------------------|------------------------|
| Senior Independent Director, Chair | Member | Non-Executive Director |
| Non-Executive Director, Deputy Chair | Member | not applicable |
| Chair of the Board, Member | Member | Not applicable |
| Chief Executive, regular invited attendee | Non-voting attendee | Not applicable |
| Finance Director, regular invited attendee | Non-voting attendee | Not applicable |
| Society Secretary, Secretary | Non-voting attendee | Not applicable |

3. Quorum

The quorum will be reviewed on an annual basis and is currently two members.

4. Authority

The Board has delegated to the Committee responsibility for leading the process for Board appointments, re-appointments and removals and make recommendations to the Board.

The Committee is authorised by the Board to recommend to the Board individuals considered suitable for Board membership. It is also authorised to consider the performance of the Board's Committees, and Board Committee appointments, and Board succession generally.

The Board has delegated authority to the Committee to review and recommend to the Board the remuneration of the Non-Executive Directors, Executive Directors and Society staff, including pension rights and any compensation payments.

The Terms of Reference of the Committee and any material amendments must be approved by the Board.

5. Responsibilities - Nominations

| Responsibility | Details |
|-------------------------|---|
| Board Evaluation | <p>Review on a regular basis the structure, size and composition (including the balance of skills and knowledge, experience, independence and diversity) of the Board through internal and external assessments.</p> <p>Make recommendations to the Board on any changes, taking into account any legislative or regulatory requirements.</p> |

| Responsibility | Details |
|---|--|
| Board appointments, re-appointments and removals | <p>Prepare a description of the role, capabilities and time commitment required for Board member appointment.</p> <p>Recommend to the Board persons considered suitable for posts of Non-Executive Directors and Executive Directors.</p> <p>Prepare recommendations for reappointment and removal of the Board members.</p> |
| Succession Planning | <p>Review annually the directors standing for election at the Society's next Annual General Meeting by taking into consideration the competencies, performance, continuing independence and objectivity of the directors and the requirement of the Society's Rules and:</p> <ul style="list-style-type: none"> • all Directors stand for election at the AGM following their initial appointment to the Board and thereafter for re-election at three-yearly intervals • that Non-Executive Directors can serve up to a maximum of three three-year terms with any extension to this requiring agreement by the Board and the Non-Executive Director is then subject to annual re-election. <p>Keep under review the leadership needs of the Society, both Executive and Non-Executive, with a view to ensuring the continued ability of the Society to compete effectively in the market place.</p> <p>Review annually the Society's succession plans for the Senior Management Team, with a view to ensuring the continued ability of the Society to compete effectively in the market place.</p> |
| Society Chair's Job Specification | <p>Prepare a job specification for the appointment of a Chair, including an assessment of the time commitment expected, recognising the need for availability in the event of crisis.</p> <p>A Chair's other significant commitments should be disclosed to the Board before appointment and included in the Annual Report and Accounts. Changes to such commitments should be reported to the Board as they arise, and their impact explained in the next Annual Report and Accounts</p> |
| Board Committee Chairmanships, membership and performance review | <p>Make recommendation for the appointment of the Chairs and members of the Board Committees.</p> <p>Evaluate the effectiveness of the Board and Board Committees, ensuring that decision making is not dominated by certain individuals. Recommend actions for addressing any findings and oversee the implementation of any resulting action plan. Ensure that Committee membership is refreshed and that undue reliance is not placed on particular individuals when deciding the Chair and membership of Committees.</p> |

| Responsibility | Details |
|---|---|
| Board Members performance review | <p>Ensure there is a formal process in place for performance reviews of both Executive and Non-Executive Directors.</p> <p>Ensure the time required of the Non-Executive Directors' is sufficient and that their performance against that standard is measured.</p> |
| Induction and Training | <p>Oversee the recruitment and induction of all new Non-Executive Directors, together with the Society Chair.</p> <p>Oversee the ongoing training and developing of the Society's Non-Executive Directors.</p> |
| Disclosures of Annual Report and Accounts | <p>Report in the annual statements how the principles relating to the role and effectiveness of the Board have been applied.</p> <p>Identify in the annual report each Non-Executive Director it considers to be independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.</p> |
| Maintain procedure for the appointment of new Directors to the Board | <p>Maintain formal, rigorous and transparent procedure for the appointment of new directors to the Board, disclosure of which should be made in the Annual Report and Accounts.</p> |
| Other | <p>Review the Committee's Terms of Reference prior to submission to the Board of Directors for approval. Consider its own performance, noting its conclusions in a report submitted to the Board.</p> |

6. Responsibilities - Remuneration

| Responsibility | Details |
|-------------------------------|---|
| Remuneration Framework | <p>Recommend to the Board the approval of the Remuneration framework, including how all variable pay bonus and incentive schemes are designed, approved, implemented, and overseen.</p> <p>Obtain reliable up to date information about remuneration in other firms of comparable scale and complexity. To help fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the Society's expense, but within any budgetary restraints imposed by the Board.</p> |

| Responsibility | Details |
|--|--|
| Executive Directors | Within the terms of the agreed policy and in consultation with the Society Chairman and/or Chief Executive, as appropriate, determine the total individual remuneration package of each executive director, making recommendations to the Board for approval, as required. |
| Senior Management Team | Within the terms of the agreed policy and in consultation with the CEO determine the total individual remuneration package of each Member of the Senior Management Team, making recommendations to the Board for approval, as required. |
| Society Staff | Recommend to the Board, in conjunction with the Chief Executive, the overall remuneration package, including benefits and pensions, for Society staff. |
| Variable Pay Schemes | Within the terms of the agreed policy determine the Society's variable pay scheme design and payment of any amounts due. |
| Chair and Non-Executive Directors | <p>Determine and recommend to the Board the strategic policy for the remuneration of the Society's Board Chair and Non-Executive Directors.</p> <ul style="list-style-type: none"> • the remuneration of the Non-Executive Directors shall be a matter for the Board Chair and the Chief Executive • the remuneration of the Board Chair shall be a matter for the Vice-Chair and the Chief Executive <p>Approve the Society's Policy for Non-Executive Director expenses.</p> |
| Annual Report Disclosures | Review the Remuneration Report for disclosure in the Annual Report and Accounts. The Chair of the Board should arrange for the Chair of the Committee to be available to answer questions at the AGM. |
| Remuneration Policy | <p>Recommend for Board's approval the Remuneration Policy having regard to all applicable legal and regulatory requirements, including pension rights and any compensation payments.</p> <p>Ensure the Remuneration Policy aligns with the Harpenden's overall strategy and long term objectives with appropriate consideration of customer outcomes and risk appetite.</p> |
| Other | Review the Committee's Terms of Reference prior to submission to the Board for approval. Consider its own performance, noting its conclusions in a report submitted to the Board. |

7. Meeting Frequency

Meetings shall be held at least four times a year. Additional meetings may be convened following consultation with the Chair and provided that the quorate requirements are applied.

Meetings of the Committee are scheduled annually in advance by the Society Secretary, in conjunction with the Committee Chair.

8. Secretariat

The Society Secretary will act as secretary for the Committee and be responsible for maintaining the meeting minutes. The Secretary will ensure that all follow-up actions are appropriately assigned and monitored.

The Secretary will ensure that all items included within the Terms of Reference are covered as standard agenda items in Committee meetings. The Secretary in conjunction with the Chief Executive and the Chair will draw up an agenda which shall be circulated prior to each meeting to each member of the Committee and to any other attendees.

The Secretary will make a best endeavour to collate and circulate relevant reports to the Committee members and other attendees in sufficient time for papers to be reviewed.

An effectiveness review of the Committee will be performed annually, including a review of meeting content, Terms of Reference and composition. Changes or improvements to the effectiveness of the Committee will be recommended to the Board for implementation.

9. Minutes & Reports

Committee decisions and discussions will be evidenced by minutes maintained by the Committee secretary and after approval by the Chair will be circulated to the Committee members and nominated attendees in sufficient time to allow completion of actions. In addition a summary report, including areas for action or improvement, and copies of minutes will be presented by the Chair of the Committee or their deputy to the Board at its next meeting.

10. Other Matters

The Committee has access to sufficient resources, including the Society Secretary, to carry out its duties including authority from the Board to obtain, at the Society's expenses, legal or professional advice on any matters within its terms of reference.

The Committee gives due consideration to laws and regulations, Codes of Practice and any other Rules, as appropriate.

11. Document Version History

| Date | Version | Author | Comments |
|------------|-----------|--------------------------------|---|
| 04.01.2018 | V2018 1.0 | Roy Badcock, Society Secretary | New Terms of Reference format developed for Society |
| 10.01.2018 | V2018 1.1 | Roy Badcock, Society Secretary | Updated following Remuneration and Nominations Committee meeting on 10.01.2018. |
| 25.01.2018 | V2018 1.1 | Roy Badcock, Society Secretary | Approved at Board |
| 08.05.2018 | V2019 1.2 | Roy Badcock, Society Secretary | Annual review of Terms of Reference. No changes made to previous version. |
| 18.07.2018 | V1.3 | Roy Badcock | Updated following Remuneration Committee meeting (08.05.2019) and Board Risk Committee meeting (09.07.2019) |