

## CUMBERLAND BUILDING SOCIETY REMUNERATION COMMITTEE



### TERMS OF REFERENCE

Members of the Remuneration Committee shall be appointed by the Board. The Committee shall comprise of at least 3 independent Non-Executive Directors. The Society's Chairman may be a member of, but not chair, the committee if he was considered independent on appointment as chairman. Each member is appointed annually at the Board Meeting following the Annual General Meeting.

The Chairman of the Committee, who should not be the Society's Chairman, will be appointed by the Board. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

Two members of the Committee must be present to form a quorum.

Other individuals may also be invited to attend meetings.

The Assistant Secretary of the Society shall act as Secretary to the Committee.

The Remuneration Committee will meet at least annually each year, to consider the remuneration of the Chairman, Executive Directors and senior management and to consider the Remuneration Committee's Report to be included in the Society's Annual Report.

#### Reporting

Minutes of Committee meetings shall be circulated to all members of the Committee and to all members of the Board, for noting, at each Board Meeting following the Remuneration Committee meeting.

#### Duties of the Remuneration Committee

1. To determine the framework or broad policy for the remuneration of the Society's Chairman, Executive Directors, General Managers, Assistant General Managers and Controllers Grade H3 and above. The remuneration of Non-Executive Directors shall be a matter for the full Board of Directors.
2. To give due regard, when determining the remuneration policy, to risk-focused advice and information into the setting and individual application of the Society's remuneration policy, provided by the Group Risk Manager.

3. To take into account, when determining the remuneration policy, all relevant factors to ensure that Executive Directors and senior management are provided with appropriate incentives to encourage enhanced performance, in keeping with the Society's risk appetite, and are, in a fair and responsible manner, rewarded for their individual contributions to the Society's success, and for the Society's overall performance.
4. To review the ongoing appropriateness and relevance of the remuneration policy.
5. To determine, within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, the Chairman's remuneration and the total individual remuneration package of each Executive Director, General Manager, Assistant General Manager and Controller, including bonuses, incentive payments or other awards.
6. To determine, within the terms of the agreed policy and in consultation with the Chairman of the Audit & Risk Committee as appropriate, the remuneration and the total individual remuneration package of senior members of staff in the audit and compliance functions
7. To give due regard, in determining remuneration packages and incentive schemes, to any relevant legal requirements, the FSA's Code of Practice on Remuneration and the provisions and recommendations in the UK Corporate Governance Code.
8. To consider and agree on behalf of the Board, the design of, and any subsequent changes to, incentive/performance related pay schemes operated by the Group and approve the total annual payments made under such schemes.
9. To determine the policy for, and scope of, pension arrangements for Executive Directors, General Managers and Assistant General Managers.
10. To consider any proposed changes to staff pension schemes and to then make recommendations regarding their approval to the Board.
11. To consider loans to directors or connected persons before approval.
12. To review and note annually the remuneration trends across the Society's peer group.
13. To oversee any major changes in employee benefit structures throughout the Society.
14. To ensure that all provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the UK Corporate Governance Code are fulfilled.
15. To be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee and to obtain reliable, up-to-date information about remuneration in other companies.

16. To review, at least once a year, the Committee's 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.

### **General**

- To make available on the Society's web-site or on request through the Society's Secretary, to anyone who requires them, terms of reference of the Remuneration Committee.
- To produce an annual statement for inclusion in the annual report, describing the work of the Remuneration Committee.
- The Chairman of the Remuneration Committee will attend the Society's Annual General Meeting to answer any questions raised during the meeting.
- The Remuneration Committee has access to secretarial and legal services and training provided by the Society and to reasonable funds to enable it to take independent legal, or other appropriate advice or training, where considered necessary.