



Melton Building Society

Terms of Reference Remuneration & Nominations Committee

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Purpose

The Remuneration & Nominations Committee (the “Committee”) is a committee of the Board of Melton Mowbray Building Society, from which it derives its authority. Its role is to oversee:

- a) the development and implementation of Society wide remuneration policies for all: and
- b) Board governance, including the composition, succession and appointment processes for the Board

Composition, Frequency, Quorum and Proceedings

Composition: The Committee shall comprise at least three Non-Executive Directors and include the Chair of the Board. A majority of members will be independent Non-Executive Directors.

Appointments to the Committee are made by the Board.

Committee members should actively undertake training and development to keep up to date to fulfil the Committee's role and where appropriate meet their SMCR responsibilities.

Chair: The Board will appoint the Committee Chair who will be an independent Non-Executive Director. The Chair of the Board will not be the Committee Chair. In the absence of the Chair, or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

The Chair of the Committee is an SMF12 (and SMF13) appointment.

Secretary: The Secretary of the Committee will be the Secretary of the Society, or his or her Deputy.

Attendees: Only members of the Committee have the right to attend Committee meetings, however, other individuals, such as the Chief Executive Officer, Chief Customer Officer, HR Advisor to the Board and Head of HR may be invited to attend for all or part of the meeting, as and when appropriate. Individuals should not attend part of any meeting when their own remuneration is under discussion.

Frequency: The Committee will normally meet four times a year at appropriate times and otherwise as required. Meetings of the Committee will be called by the Secretary of the Committee at the request of any of its members.

Quorum: The quorum for the transaction of business shall be:

- Two members if the number of members who constitute the Committee is three.
- Three members if the number of members who constitute the Committee is four or more.

A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of its authorities, powers and discretions.

In the event of equal votes the Chair of the Committee shall have a second or casting vote.

Minutes: The Secretary to the Committee will minute the proceedings and resolutions of all meetings of the Committee and once agreed by the Chair of the Committee arrange for the Minutes to be circulated promptly to all members of the Committee and, if appropriate, the Board.

Written Resolutions: Written resolutions 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.

Mandate: The Committee is authorised to:

- a) Seek any information it requires from any employee of the Society in order to perform its duties.
- b) Obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference (including appointing remuneration consultants and commissioning or purchasing reports, surveys or information which the Committee deems necessary).
- c) Call any employee to attend a meeting of the Committee as and when required.
- d) Have the right to publish in the Society's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

Independence: It is important that the independence of the Committee is maintained and that any conflicts of interest are avoided. There is an opportunity to raise and discuss any potential conflicts of interest at the start of each meeting and any potential conflicts are recorded in the minutes.

Responsibilities

A REMUNERATION DUTIES

The Committee will carry out the duties below for the Society, as the Group as a whole, as appropriate. As regards its duties the Committee shall:

- 1 Determine, agree and approve the Group Remuneration Policies for Non-Executive Directors, Executive Directors and all Society employees ensuring that the total remuneration package (including pension, variable pay, bonus and incentives) are consistent with the Society's culture, risk appetite, and policies on diversity and inclusion, and to ensure that such Group Remuneration Policies are fully documented.
- 2 The objective of such policy shall be to ensure that the Executive Team and Remuneration Code Staff (Material Risk Takers) are provided with appropriate reward and remuneration in line with the Society's strategy and in keeping with the Society's risk appetite and are, in a fair, and responsible manner, rewarded for their individual contributions to the success of the Society, and for the Society's overall performance.
- 3 In determining remuneration policy, packages and arrangements, give due regard to any relevant legal requirements, the FCA / PRA Remuneration Code, the UK Corporate Governance Code and any associated guidance.
- 4 To review and approve recommendations from the Chief Executive regarding:
 - a) structure, role profiles or contracts of the Executive Team and Remuneration Code Staff to ensure that the Society has appropriate resources to achieve its business objectives
 - b) overall staff remuneration principles (e.g. pay, benefits and pensions) such that the Society attracts and retains individuals of sufficient calibre for its continued success
 - c) any performance related pay scheme; any award under such a scheme; and annual pay awards for all staff.

The Chief Executive will not be involved in discussions or decisions concerning their own remuneration.

- 5 To review and recommend that the Chair of the Board considers and approves the Executive Directors' proposal for Non-Executive Directors' remuneration. Such remuneration will be in accordance with Rule 19 of the Society's Rules (that must not exceed 2.5 times the annual salary of the lowest paid full time clerical employee within the Society as at the first day of each Financial Year). Executive and Non-Executive Directors will not be involved in discussions and decisions concerning their own remuneration.
- 6 Approve the design of, and determine targets including any climate-related targets for, any performance related pay schemes operated by the Society and any instruments for the delivery of variable pay and each year assess performance against such targets and approve the total payments to be made under such schemes and under such instruments. The Committee has authority to override formulaic remuneration outcomes when considering the performance of the Society both regulatory and financial. The Committee will, prior to its recommendation to the Board for approval of any payments, refer to the Risk Committee to ascertain whether the Risk Committee wishes to exercise its power of veto.
- 7 To review and recommend to the Board the annual remuneration packages for all Remuneration Code Staff of the Group, including pension contributions and any bonus proposals. To include a review of comparative market data. Where necessary, the Committee will undertake independent job evaluation to ensure rates of pay are fair and reflective of the market.
- 8 Ensure that contractual terms on termination, 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. To recommend severance packages for Executive Team members including Executive Directors, and Remuneration Code Staff to the Board.
- 9 Review any major changes in employee benefit structures, including retirement benefits, throughout the Group.
- 10 When determining executive director remuneration policy and practices, consider the requirements in the UK Corporate Governance Code for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

B NOMINATIONS DUTIES

The Committee will carry out the duties below for the Society, as the Group as a whole, as appropriate. As regards its duties the Committee shall:

- 1 Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes, taking into account any agreed succession plans.
- 2 Ensure that effective succession plans are maintained for the Board, the Executive Team and Remuneration Code Staff taking into account the challenges and opportunities facing the Society, and the skills and expertise needed on the Board in the future. Review the plans at least annually.

- 3 Keep under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the market place and, where a vacancy is identified, if appropriate make a recommendation to the Board.
- 4 Before any new appointment is made to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected.
- 5 Identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise, ensuring a formal, rigorous and transparent procedure, including:
 - (a) conduct initial meeting(s) with a candidate with follow-up meetings by other directors as recommended.
 - (b) at its discretion and where it considers it appropriate (taking into account the expertise required of those conducting the initial meetings with candidates) appoint a Selection Panel made up of at least three Non-Executive Directors (at least one of whom must be a member of the Committee). The Committee may delegate to the Selection Panel any of the duties of the Committee in respect of that vacancy and on such terms as to its operation, including the reporting requirements, as determined by the Committee.
- 6 In identifying suitable candidates, the Committee shall:
 - (a) use open advertising or the services of external advisers to facilitate the search;
 - (b) consider candidates from a wide range of backgrounds; and
 - (c) consider candidates on merit and against objective criteria, having due regard to the benefits of diversity on the Board and taking care that appointees have enough time available to devote to the position.
- 7 To ensure the relevant principles of Corporate Governance contained in the UK Corporate Governance Code (and any best practice guidance) are taken into account in so far as they are relevant to the Society.
- 8 Ensure that prior to the appointment of a director, the proposed appointee is required to:
 - (a) disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.
 - (b) disclose any significant commitments with an indication of the time involved.[These must be authorised by the Board prior to appointment and any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the Board.]
- 9 Ensure that, on appointment to the Board, Non-Executive Directors received appropriate Letters of Appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings, and that staff, Senior Management and Executive contracts are kept up to date.
- 10 Ensure that on appointment to the Board, Non-Executive Directors receive a tailored induction plan the completion of which shall be monitored by the Secretariat with the Committee having oversight of the process.
- 11 Oversee the Senior Management Certification Regime including the approval of the SMCR Framework, its approval process and requirements, receiving annual assurance of compliance. The Committee will also receive and approve annually the Society's SMCR Responsibilities Map.

- 12 Oversee the ongoing training and development of Non-Executive Directors.
- 13 To review the Succession Planning and the Board Diversity and Inclusion Policies at least annually.
- 14 To consider Director's interests at least on an annual basis and arbitrate on any conflicts of interest should they arise on the Board. Conflicts of interest should be considered at the start of every Committee meeting and be recorded in the minutes.

Policies and Processes

The Committee is authorised by the Board to approve and at least annually review the Group's Key Documents and Policies set out and contained in Appendix 1A and to review those set out and contained in Appendix 1B and make recommendations to the Board for approval.

C RECOMMENDATIONS TO THE BOARD

Remuneration

The Committee shall consider and make recommendations to the Board for approval in relation to the following matters:

- 1 Non-Executive Directors' remuneration
- 2 The annual remuneration packages for all Remuneration Code Staff of the Group, including pension contributions and any bonus payments
- 3 Bonus scheme payments for all staff
- 4 The contractual terms on termination, any payments made and severance packages for Executive Team members including Executive Directors and Remuneration Code Staff

Nominations

The Committee shall consider and make recommendations to the Board for approval in relation to the following matters:

- 1 The annual review of the Board Diversity and Inclusion Policy, including any diversity targets (e.g. gender pay gap).
- 2 The process for identifying and managing conflicts, including the annual review.
- 3 Proposed membership of the Committee, the Audit Committee and the Risk Committee in consultation with the Chair of those committees where appropriate.
- 4 Re-appointment of any Non-Executive Director at the conclusion of their 3 year term of office and prior to re-election by members, having considered the performance and ability of each Non-Executive Director to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.
- 5 The ongoing independence of the current independent Non-Executive Directors, including a clear explanation where any circumstances have been considered that may have, but the Committee has concluded do not, effect ongoing independence.

- 6 Any matters relating to the continuation in office of any Executive or Non-Executive Director at any time including the suspension or termination of service of an Executive Director as an employee of the Society subject to the provisions of the law and their service contract.
- 7 The process to be undertaken for the annual Board, Committee and individual Effectiveness reviews, including any recommendation to undertake an external evaluation every 3 years in accordance with the provisions of the UK Corporate Governance Code.
- 8 Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.

D REPORTING REQUIREMENTS

The Committee shall:

- 1 Report formally to the Board through the Committee Chair on its proceedings after each meeting on all matters within its duties and responsibilities.
- 2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 3 The Committee shall produce a Directors' Remuneration Report which comprises a statement from the Chair of the Committee, an annual report of the Society's implementation of its Directors' Remuneration Policy and a summary of the Directors' Remuneration Policy.
The Committee shall ensure that the Directors' Remuneration Report is put to members for approval at the AGM each year and the Committee Chair will attend the Annual General Meeting to answer member questions on the Committee's activities.
- 4 The Committee will produce and review on an annual basis a Remuneration Policy Statement, demonstrating compliance with the Financial Conduct Authority (FCA) / Prudential Regulation Authority (PRA) Remuneration Codes.

E GENERAL MATTERS

- 1 The Committee shall give due consideration to laws, rules and regulations, the provisions in the UK Corporate Governance Code and any other applicable rules, as appropriate.
- 2 The Committee shall assist the Senior Management Function (SMF) role holder in the escalation of their Prescribed Responsibilities to the Committee in relation to overseeing the development of and implementation of the firm's remuneration policies and practices.
- 3 The Committee shall annually arrange for reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 4 The Committee's Terms of Reference are available on the Society's website.
- 5 The Committee shall ensure that all new members receive an induction tailored to their requirements on joining the Committee, and that appropriate training is provided on an ongoing basis for all members.

- 6 The Committee will work and liaise as necessary with other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly.

Document history

2021 V1	Complete Re-write and Update as part of Board Governance Review	David Watts	July 2021
2022 V2	Review and update as part of the annual governance review.	David Watts	September 2022

Appendix 1

A Key Documents and Policies that the Committee has authority to approve:

1. Executive Incentive Plan
2. Group Remuneration Policy
3. SMCR Framework and SMCR Responsibilities Map
4. Staff Bonus Scheme
5. Succession Planning Policy

B Key Documents and Policies that the Committee has authority to review and make recommendations to the Board:

1. Board Diversity and Inclusion Policy
2. Conflicts of Interest Policy