

**Principality Building Society
Terms of Reference
Remuneration Committee**

1. Main Purpose:

Responsible for the development and oversight of the Society's approach to remuneration enables the Society to attract, retain and reward individuals with the right skills, experience, knowledge and behaviours to support the achievement of the Society's purpose.

2. Membership:

The Committee shall comprise at least three members, all of which shall be independent Non-Executive Directors. The Chair of the Board may also serve on the Committee as an additional member if they were considered independent on appointment as Chair of the Board.

Members of the Committee are appointed by the Board, upon the recommendation of the Governance & Nominations Committee and in consultation with the Chair of the Remuneration Committee. The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director who should have served on a Remuneration Committee for at least 12 months.

In the absence of the Committee Chair at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting. The Chair of the Board shall not be Chair of the Committee.

3. Quorum:

Two members of the Committee

4. Attendance:

Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive Officer, Chief People Officer, Head of Reward and Remuneration Advisors will be invited to attend on a regular basis. Other colleagues and external advisors may be invited to attend all or part of any meeting, as and when appropriate and necessary.

The Chief Governance Officer or nominee will act as Secretary to the Committee.

5. Frequency:

This is a Board Committee and will meet no less than four times per annum, and otherwise as required. Outside of the formal meeting programme, the Committee Chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Society's remuneration arrangements.

6. Other Matters

This Committee reports to the Society's Board.

The Chair of the Committee will provide a verbal report to the Board following each meeting of the Committee on the nature and content of its discussion, recommendations and action to be taken.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.

The Secretary to the Committee will record any conflict of interest disclosed at a Committee meeting.

The Committee shall be authorised by the Board to obtain, at the Society's expense, outside legal or other professional advice on any matters within its terms of reference and obtain such information as it considers necessary from any employee or officer of the Society.

The Committee shall have full authority to appoint remuneration consultants, commission or purchase any reports, surveys or information which it deems necessary at the expense of the Society; and be responsible for establishing the selection criteria, selection, appointment and setting the terms of reference for any remuneration consultants appointed to advise the Committee.

The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.

The Secretary of the Committee shall circulate the Agenda and papers for each meeting of the Committee no less than five working days in advance of the relevant meeting

7. Minutes

Formal minutes of the meetings of the Remuneration Committee will be taken and circulated to members and other regular attendees for the relevant meeting. The Chair of the Committee will provide an oral report on the activities of the Committee to the Board following each meeting of the Committee

8. Annual General Meeting

The Chair of the Committee shall attend the Annual General Meeting to answer member questions on the Committee's activities.

COMMITTEE FUNCTIONS

“In-Scope Colleagues” for the purposes of Remuneration Committee is defined as Executive Directors, Executive Committee Members, Secretary, Chief Internal Auditor and MRTs.

Develop and recommend to the Board the strategy, framework and broad policies for the remuneration of the Society’s In-Scope Colleagues. No director or manager shall be involved in any decisions as to his or her own remuneration. In determining strategy, framework and broad policies for the remuneration of the Society, the Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and any other associated guidance and best practice, having due regard for risk and the Society’s long term strategic goals, practices and processes. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Society successfully, without paying more than is necessary, and ensure that In-Scope Colleagues are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Society.

Additionally the Committee will determine the Remuneration Framework for specific colleague groups as detailed below

The remuneration of Non-Executive Directors shall be a matter for the Non-Executive Director (NED) Remuneration Committee. The Remuneration Committee shall consider proposals from the NED Remuneration Committee for the remuneration of NEDs, including the Chair of the Board.

The Committee will carry out the duties detailed below for the Principality Building Society Group, as appropriate:

Matter	Internal Committee Delegation	Frequency
PERFORMANCE AND RISK MANAGEMENT		
Determine and agree with the Board the remuneration policy for the In-Scope Colleagues in accordance with regulation having due regard to the remuneration trends across the Society.	No delegation	Annually
Within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive Officer, as appropriate, <ul style="list-style-type: none"> - determine the total individual remuneration package of each In-Scope Colleague; including the appropriate combination and proportion of salary, bonuses and other incentive payments, this includes packages for new appointments and annual salary review. Give due regard to the potential impact on responsible business conduct, encouraging desired behaviours and the delivery of fair outcomes for customers when determining remuneration packages and arrangements. 	No delegation	As necessary

<ul style="list-style-type: none"> - Set remuneration policy framework for other Material Risk Takers (MRTs) and monitor its application annually. - Determine the base salaries for any external appointments or promotions whereby the base salary exceeds £120k and monitor annually. 		
Determine the policy for, and scope of, pension arrangements for In-Scope Colleagues.		As necessary
Be satisfied that in relation to In—Scope Colleagues on termination, any payments made are fair to the individual, and the Society or business unit, that failure is not rewarded and that the duty to mitigate loss is fully recognised and regularly review these service contracts to ensure they remain aligned to the Committee’s overarching remuneration policy and best practice guidance		
To receive a report in relation to performance for variable pay considerations, at least annually. This will include a report from the Chief Risk Officer, on the implications from an assessment of risk and risk management in the context of the Society’s performance and strategy.	No delegation	Annually
<p>Approve the design of, and payments under, any performance related pay schemes (setting transparent, stretching and rigorously applied performance criteria), both annual and longer term, operated by the Society for the benefit of In-Scope Colleagues and the wider colleague population. To include the choice of financial, non-financial and strategic measures.</p> <p>Apply malus or clawback to any individual’s payments in the event that the circumstances or Chief Risk Officer deem necessary and use discretion to override formulaic outcomes and to recover and/or withhold sums or incentive awards under appropriate specified circumstances.</p>	No delegation	Annually
Review colleague remuneration (including approval of the annual pay review) and related policies and the alignment of incentives and rewards with culture, whilst also taking these into account when setting the policy for executive remuneration.	No delegation	Annually
Approve any exceptions to policy/remuneration framework for in scope colleagues? Executives that arise.	No delegation	As necessary
Oversee any major changes in employee benefits structures throughout the Society to include colleague pension arrangements.	No delegation	As necessary
Agree the policy for authorising claims for expenses from the Chief Executive Officer and Chair.	No delegation	Annually

Review and monitor the Society's compliance with relevant gender pay reporting requirements. Be satisfied that the Society's remuneration arrangements do not contribute to discrimination.	No delegation	As necessary
CORPORATE GOVERNANCE REPORTING MATTERS		
Ensure that their incentives, performance management frameworks and remuneration structures are designed in a way that is consistent with ensuring good outcomes for customers. Throughout its activities, the Committee shall consider the general obligation to ensure customers are getting fair value and good outcomes in everything it does (Consumer Duty – Principle 12).	No delegation	As necessary
Be satisfied that the Society's Remuneration Policy is consistent with regulatory requirements for clarity, simplicity, risk mitigation, predictability, proportionality and aligned to, to the Society's financial situation and future prospects, corporate values, best practice and guidance, current and future risk profile, promotes sound risk management; does not give rise to conflicts of interest regulatory guidance, remuneration trends and supports the Society's strategy and its long term success.	No delegation	Annually
Have oversight of any regulatory requirements as determined by the FCA or PRA or other body in relation to remuneration, to include producing an annual 'Remuneration Policy Statement' as required by the Prudential Regulatory Authority, as set out in Article 275 of the Commission Delegated Regulation (EU) 2015/35 ('Solvency II Regulation').	No delegation	Annually
The Committee shall produce a DRR that explains the key features of the Remuneration Policy and pay-outs under it, to the Society's Members. The DRR will follow statutory requirements and regulations as necessary and deemed appropriate for the Society.	No delegation	Annually
OTHER CORPORATE GOVERNANCE MATTERS		
Work and liaise as necessary with all other Board Committees, ensuring good outcomes for customers and members, and ensure the interaction between Committees and with the Board is reviewed regularly.	No delegation	As necessary
Determine and provide appropriate and timely training and development for Committee Members both on appointment and on an ongoing basis for all members to ensure that Committee are appropriately skilled.	No delegation	As necessary

At least once per year, the Committee shall review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.	No delegation	As necessary
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