

## REMUNERATION COMMITTEE

### TERMS OF REFERENCE

#### 1. Purpose

The Remuneration Committee (the “Committee”) is a sub-committee of the Board of Chorley & District Building Society (the “Society”).

The purpose of the Committee is to assist the Board in discharging its oversight responsibilities in relation to the ongoing review, monitoring and assessment of:

- The framework and broad policy for the remuneration of the Board’s Chair, Non-Executive Directors, Chief Executive Officer, Executive Team and all other Remuneration Code Staff (Material Risk Takers).

#### 2. Membership

The Committee shall comprise at least three (3) Members, all of whom shall be independent Non-Executive Directors (NEDs).

The Board shall appoint the Chair of the Committee, holding SMF 12 responsibilities. In the absence of the Chair, the remaining Members present shall elect one of themselves to Chair the meeting.

The Chair of the Board shall not be elected to the Chair of the meeting in the absence of the Chair of the Committee.

Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee, in consultation with the Chair of this Committee.

Only Members of the Committee have the right to attend meetings. However, the Chief Executive, Customer Services Director, and Head of HR, Training, Facilities & H&S, will be invited to attend meetings on a regular basis.

Other individuals may be invited to attend all or part of any meeting as and when appropriate.

Individuals must not attend part of any meeting when their own remuneration is under discussion.

The membership of the Committee is reviewed annually by the Society’s Board.

### 3. Secretary

The Company Secretary, or their nominee, shall act as the Secretary of the Committee and will ensure that Members receive information and papers in a timely manner to enable full and proper consideration to be given to issues.

### 4. Quorum

The quorum necessary for the transaction of business shall be two (2) Members.

### 5. Frequency of Meetings

The Committee shall meet at least twice a year.

It may meet in addition to scheduled meetings, as and when required.

### 6. Notice of Meetings

Meetings shall be called by the Secretary at the request of the Chair, its Members, or internal or external auditors if necessary.

Notice of each meeting confirming the venue, date, and time along with an agenda of items to be discussed, shall be forwarded to each Member and any other person required to attend, normally no later than five working days before the date of the meeting, along with supporting papers.

In the event that an urgent or interim meeting is required, notice of each meeting, along with supporting papers may be given at less than five working days before the date of the proposed meeting.

### 7. Minutes of Meetings

The Secretary or their nominee shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

Draft minutes of meetings shall be circulated to the Chair promptly, which will then be reviewed by all members at the next meeting.

### 8. Engagement with Stakeholders

The Chair should attend the Annual General Meeting to answer any stakeholder questions on the Committee's activities.

The Chair should also seek engagement with external stakeholders on significant matters related to the Committee's areas of responsibility.

### 9. Duties and Responsibilities of the Remuneration Committee

The Committee has the authority to:

- Determine the Society's overall annual business performance rating measured against Key Performance Indicators (KPIs) approved by the Board.

- Review and approve recommendations from the Chief Executive regarding:
  - Contractual terms and conditions of the Executive Team and all other Remuneration Code Staff.
  - General staff remuneration principles (e.g., consolidated pay, non-consolidated performance related payments, pension, and other benefits) such that the Society attracts, retains and motivates individuals of sufficient calibre for its continued success.
  - Consolidated pay awards and any non-consolidated performance related payments for Executive Directors and all Staff (subject to Board approval as part of the Business Plan).
  - The remuneration of Non-Executive Directors (a matter for the Chair of this Committee and Executive attendees of the Board).
- Determine, agree and approve the Society's Remuneration Policies for Non-Executive Directors, Executive Directors and all other Remuneration Code Staff to ensure that the total remuneration packages are consistent with the Society's culture, values, and risk appetite, and that policies on diversity and inclusion are fully documented.
- Ensure that Remuneration Policies provide the Executive Team and all other Remuneration Code Staff with appropriate remuneration, incentive, and reward in line with the Society's strategy, culture and risk appetite. Remuneration Policies must be proportionate, and predictable, rewarding individuals for their contributions to the success of the Society's performance and promoting the success of the Society for the benefit of members.
- Appoint remuneration consultants and to commission or purchase, any reports, surveys or information which it deems necessary at the expense of the Society.

The Committee shall:

- Act within the PRA rulebook and FCA handbook.
- Receive and consider, the Independent Report on Remuneration prepared by the Chief Risk Officer before agreeing the annual remuneration recommendations for the Executive Team and all other Remuneration Code staff to ensure that it complies with the UK Corporate Governance Code, Remuneration Codes of the FCA and PRA (and other relevant guidance), and is aligned with the Society's culture, values and risk appetite.
- Consult the Audit Committee on suitable performance measures and the Nomination Committee on any pay gaps and ratios.

- Manage potential conflicts of interest. No Director will be involved in discussions or decisions concerning their own remuneration.
- Consider comparative market data and where necessary undertake an independent job evaluation to ensure rates of pay are fair and reflective of the market, and offers remuneration that will attract, retain and motivate Executive Directors and all other Remuneration Code Staff.
- Consider and review the Society's attrition rate, leavers' length of service and disclosed resignation reasons, to support the committee's assessment of the effectiveness of the remuneration strategy in retaining skills and experience.
- Ensure the overarching remuneration is affordable in the context of the Society's performance and its business plan and avoid pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.
- Ensure 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 and recommend to the Board severance packages for Executive Directors and all other Remuneration Code Staff.
- Review major changes in employee benefits.
- Seek assurance that all applicable regulation regarding the disclosure of remuneration is fulfilled.
- Review the KPIs to ensure that they remain appropriate in the context of the Society's performance and its Business Plan objectives and strategy.

Individual performance assessment for Remuneration Code staff will be based on both primary and secondary metrics based on objectives that are predetermined by the Chief Executive in the annual appraisal process.

The overall cost of the Annual Pay Award will be approved by the Board and aligned to the Business Plan.

## 10. Reporting Procedures

The Committee shall:

- Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 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.
- Ensure that the Directors' Remuneration Report is put to Society 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.
- Ensure the Terms of Reference are made available to employees and Society Members. In the event audit services have not been provided, the Committee will explain in the annual report and accounts how objectivity and independence had been safeguarded.

#### 11. Other Matters

The Committee shall:

- Have access to sufficient resources in order to carry out its duties, including access to the Chief Risk Officer, Head of Compliance, and Company Secretary for assistance as required.
- 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 existing Members.
- Act within the PRA rulebook and FCA handbook.
- Oversee any investigation of activities which are within its Terms of Reference.
- Arrange for periodic 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.

#### 12. Authority and Delegated Responsibilities from the Board

The Committee is authorised to:

- At least annually, review and/or approve the Society's policies/processes for:
  - Expenses Policy for NEDs
  - Independent Report of Remuneration
  - Remuneration Policy
  - Overall business and individual Key Performance Indicators
- At least annually, review and recommend to the Board the Annual Pay Awards.
- Request the attendance of any employee at a meeting of the committee and/or seek any information it requires from any employee of the Society in order to perform its duties.
- Delegate any matter or matters to another committee or person(s) as it deems appropriate.
- Obtain, at the Society's expense, independent legal or other professional advice on any matter within its terms of reference, if it believes it necessary to do so.

Signed:



**Chair: Peter Brickley**

## Review History

<b>Date of Issue</b>	<b>Author</b>	<b>Purpose</b>	<b>Date of Approval</b>	<b>Version: CDBS – NRC TOR</b>	<b>Date of Next Review</b>
29 Nov 2023	Board Governance Officer	Review and update in line with governance restructure.	29 Nov 2023	1.4	27 Nov 2024
4 Mar 2024	Head of HR, Training, Facilities & H&S	Developed ToR into a singular Remuneration Committee & added requirements from the Corporate Governance Code (FRC)	27 Mar 2024	1.5	March 2025
26 February 2025	Head of HR, Training, Facilities & H&S	Annual Review	26 February 2025	2.0	March 2026
11 February 2026	Interim Board Governance Officer	Annual Review	26 February 2026	2.1	March 2027