

NOMINATIONS & REMUNERATIONS COMMITTEE

TERMS OF REFERENCE

1. Purpose

The Nominations and Remunerations 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 skills, knowledge, experience and diversity of the Board and Board’s structure, maintaining up to date succession plans, identifying potential internal/external candidates to be appointed as Non-Executive Directors, / Executive Directors-
- Description of the role and capabilities required for a particular appointment, undertaking the recruitment and selection process and making suitable recommendations to the Board.
- The framework and broad policy for the remuneration of the Board’s Chair, Chief Executive Officer, Executive Team and 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) and include the Senior Independent Director.

The Chair of the Board holding SMF9, shall not be a Member of the Committee but may choose to attend meetings.

The Board shall appoint the Chair of the Committee, holding SMF 12 and 13 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 and Remunerations Committee, in consultation with the Chair of the 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 should 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 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, 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 all Members and once approved, shared with the Board, unless it would be inappropriate to do so.

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

9.1 Duty as a Nominations Committee:

The Committee shall:

- Periodically, and at least annually consider the structure, size and composition of the Board (including the skills, knowledge, experience and diversity) and make recommendations for changes to the Board as appropriate.
- Periodically and at least annually consider Executive and Senior Management succession planning taking into account the challenges and opportunities facing the Society and the skills and experience required for the future business needs and make recommendations to the Board.
- Make recommendations to the Board on the appointment and removal of Non-Executive and Executive Directors or other Senior Managers with Senior Management Function (SMF) responsibilities as documented in the Management Responsibilities Map and the Statements of Responsibility for the Customer Services Director, Chief Risk Officer, Head of Compliance, Finance Director/Company Secretary.
- In identifying suitable candidates (ensuring the evaluation of current/required skills, knowledge and experience has been undertaken) and make recommendations for preferred candidates to the Board and in identifying suitable candidates, the Committee shall:
 - Consider using the services of a recruitment specialist.
 - Prepare a role description.
 - Consider candidates on merit, against objective criteria and in accordance with the Society's Diversity, Equity & Inclusion Policy and regulatory guidance.
 - Be satisfied that candidates meet the regulatory 'fit and proper' test and competency and capability criteria.
- Ensure candidates do not have any conflicts of interest.
- Oversee the performance appraisal of each Executive and Non-Executive Directors.
- Review and evaluate the results of the annual Directors' performance evaluation process.
- Make recommendations to the Board regarding membership of the Board Committees, in consultation with the Chairs of those Committees and make recommendations to the Board regarding the proposed Committees Chairmanship.
- Approve the election and re-election of Directors, subject to the rotation and re-election provisions of the Society's Memorandum and Rules and AGM voting.
- Ensure Members of the Board do not hold more Directorships than is appropriate, taking into account individual circumstances and the Society's requirements.

- To report significant issues in relation to governance, policy, recruitment, regulatory matters or performance to the Board.
- Approve the Society's Diversity, Equity & Inclusion Policy and Strategy.
- Set specific annual objectives for the Committee with reporting dates outlined.
- Approve the Society's People Strategy.

9.2 Duties as a Remuneration Committee:

The Committee shall:

- Determine, agree and approve the Society's Remuneration Policies for Non-Executive Directors, Executive Directors and Remuneration Code Staff (Material Risk Takers) to ensure that the total remuneration packages (including pension, variable pay, bonus and incentives) are consistent with the Society's culture, risk appetite, and policies on diversity and inclusion, and are fully documented.
- Ensure that such policies 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, are proportionate, predictable and in alignment with the Society's culture, and reward individuals for their contributions to the success of the Society, and for the Society's overall performance.
- Review and recommend to the Board for approval, proposals for Non-Executive Directors, Executive Directors and Remuneration Code Staff (Material Risk Takers).
- Give due regard to any relevant legal requirements, the FCA / PRA Remuneration Code, the UK Corporate Governance Code and any associated guidance in determining remuneration policy, packages and arrangements.
- Review and approve recommendations from the Chief Executive regarding:
 - 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.
 - 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
 - any performance related pay scheme; any award under such a scheme; and annual pay awards for all staff.
 - 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 employment packages that will attract, retain and motivate employees in the posts within the Committee's remit.

[The remuneration of independent Non-Executive Directors is a matter for the Chair of the Committee and Executive Members of the Board. No Executive will be involved in discussions or decisions concerning their own remuneration.]

- Have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Society. However, the committee should avoid designing 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 severance packages for Executive Members including Executive Directors, and Remuneration Code Staff to the Board.

- Maintain a balance against the overarching need to be affordable in the context of the Society's performance.
- Recommend to the Board an Independent Report on Remuneration, reviewing it at least annually to ensure that it complies with the UK Corporate Governance Code, Remuneration Codes issued from time to time by the Financial Conduct Authority and/or the Prudential Regulation Authority and other relevant guidance and that it is aligned with the values of the Society and the Society's risk appetite.
- Review any major changes in employee benefit structures, including retirement benefits, throughout the Group.
- Review on an annual basis the HR report prepared by the Head of HR, Training, Facilities & H&S, on staff to include remuneration, structure, training and supervision.
- Receive the Independent Report on Remuneration prepared by the Society's Chief Risk Officer.

10.6 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:

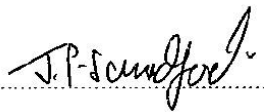
- Have access to sufficient resources in order to carry out its duties, including access to the Chief Risk Officer, Head of Compliance and Company Secretary for assistance as required.
- Be provided with appropriate and timely training, both in the form of an induction programme for new Members, and 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 approve the Society's policies/processes for
 - Board Succession Plan
 - Diversity, Equity & Inclusion Policy
 - Expenses Policy for NEDs
 - Independent Report of Remuneration
 - Remuneration Policy
 - NRC Governance Terms of Reference
 - Senior Independent Director - annual
- 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: John Sandford

Review History

Date of Issue	Author	Purpose	Date of Approval	Version: CDBS – NRC TOR	Date of Next Review
29 Nov 2023	Board Governance Officer	Review and update in line with governance restructure.	29 Nov 2023	1.4	27 Nov 2024