

Terms of Reference – Remuneration Committee

Introduction

1. The Committee is a sub-committee of the Board of Directors of the Society and operates on authority delegated to it by the Board and in accordance with the Combined Code issued by the Financial reporting Council.

Membership

2. The Committee shall comprise at least three non-executive directors one of whom shall be nominated Chairman of the Committee. Two members shall constitute a quorum
3. The Board of Directors will be responsible for appointing other members of the Committee following recommended nominations from the Chairman of the Committee.
4. The Chief Executive and the Finance Director will attend the meetings together with external advisors, as and when appropriate.
5. No executive director or other member of senior management shall be present when their remuneration is under discussion.

Responsibilities

6. To review and advise on remuneration policies generally for the Society.
7. To examine and make recommendations to the Board on management's proposals for the periodic (normally annual) review of remuneration and other terms of service of employees other than executive directors, distinguishing as appropriate between members of the senior management team and other staff.
8. To review and make recommendations to the Board on the remuneration and other terms of service of executive directors, including service agreements.
9. To receive recommendations from the Executive Directors on the remuneration levels and other terms of service of non-executive directors including the Vice-Chairman, and Committee Chairmen.
10. To review, and make recommendations to the Board the remuneration levels, and other terms of service for the Chairman.
11. Where any bonus or incentive schemes for the Society's executive directors and senior management have been approved by the Board, to ensure that bonuses payable are related to corporate and individual performances and are calculated in accordance with the achievements of the performance criteria determined for the scheme(s).
12. To advise and make recommendations on general and specific arrangements, including compensation payments, in connection with the termination of employment of executive

directors and senior management.

13. To ensure compliance with best practice and regulatory requirements including those for the disclosure of remuneration policy in the annual report.
14. In carrying out its responsibilities, the Committee will take account of all factors it considers relevant which may include the following:
 - The Board's commitment to the Society's mutual status and its principle of acting at all times in ways which are compatible with mutuality.
 - The commercial imperative to manage the Society efficiently and cost effectively.
 - The need to provide competitive and fair remuneration packages to attract, retain and motivate executive directors, management and staff of the quality required.
 - The continuing appropriateness of the various elements of aggregate remuneration such as basic salaries, overtime payments, pension arrangements, life insurance, sick pay, benefits in kind and bonus and incentive schemes.
 - The continuing appropriateness of non-financial terms of service such as working hours, holidays, availability of training and length of notice periods.
15. The Committee may ask management to provide any available information on the remuneration packages and other terms of service of other relevant employers (including building societies) and, subject to the need for management to retain responsibility for controlling expenditure, may request independent advice eg from actuaries on pension matters and from solicitors on service contracts.

Frequency of Meetings

16. The Committee will meet at least three times per year to consider the above and any other matters referred to it by the Board.

8th January 2010.