

Leeds Building Society

Remuneration Committee Terms of Reference

1. Constitution

The Board has established a sub-Committee known as the Remuneration Committee to support it in achieving its objectives and responsibilities. The Remuneration Committee reports directly to the Board.

2. Membership

The Committee shall be made up of at least three independent non-executive directors. The Society's Chair cannot be a member of the Committee.

Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as Directors, members of Management and external advisors may be invited by the Chair to attend all or part of any meeting as and when appropriate and necessary. Any non-executive director is able to attend any Committee meeting, by prior arrangement with the relevant Committee Chair.

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 and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

The Board of Directors is responsible for appointing additional or replacement members of the Committee on recommendations from the Nominations Committee, in consultation with the Chair of the Remuneration Committee.

Appointments to the Remuneration Committee shall be for a period of up to three years. An appointment to the Committee can be extended by up to a further six years in total, so long as members continue to be independent.

The Director of People shall act as Committee Secretary.

3. Quorum

A quorum of the Committee shall be two of its members.

4. Frequency of Meetings

The Committee shall meet at least four times a year at appropriate times and otherwise as required.

5. Notice of Meetings

Members of the Committee shall be called by the Committee Secretary at the request of the Committee Chair. The Committee Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be

given to the issues. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members, and to other attendees, as appropriate, at the same time.

6. Minutes of Meetings

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

Draft minutes of Committee meetings shall be sent to the Chair of the Committee promptly. Once approved, the Secretary will circulate promptly to all Committee members, unless a conflict of interest exists. The agreed minutes shall be included in the Board pack for the next meeting, (unless it would be inappropriate to do so).

7. Duties

In carrying out its duties, the Committee will ensure that the remuneration policies, principles and practices support the long-term interests of the Society and are appropriate to attract, reward and retain talented Executive Directors and Material Risk Takers (MRTs) of the quality required to run the Society successfully.

The Committee will ensure performance related elements of remuneration are transparent, stretching and rigorously applied, having regard to the risk appetite of the Society and the views of members and other stakeholders.

The Committee will work and liaise as necessary with all other Board Committees.

The specific duties of the Committee are categorised as follows:

a) Governance

i) To ensure the Society complies with best practice and the applicable legal and regulatory requirements, including the FCA's Dual-Regulated Firms Remuneration Code, the PRA rulebook and the recommendations and guidance of the UK Corporate Governance Code.

ii) To ensure compliance with the disclosure of remuneration, including pensions, as set out in relevant regulation and legislation, including Part 15 of the Companies Act 2006 and the UK Corporate Governance Code.

iii) No executive director or other member of senior management shall be present when their own remuneration is under discussion, or be involved in any decisions about their own remuneration.

iv) To receive a report, at least annually, from the Chief Risk Officer, on the implications on remuneration from an assessment of risk and risk management in the context of the Society's performance and strategy.

v) To agree the policy for authorising expense claims for the directors.

b) Policy

i) To set the Remuneration Policy for all executive directors, MRTs and the Society Chair, including pension benefits and any compensation payments, having regard to the pay and employment conditions across the Society, especially when determining annual salary increases.

ii) To review and advise on remuneration policies generally with due regard to risk and the Society's long term strategic goals.

iii) To review, at least annually, the ongoing appropriateness and relevance of the Society's Remuneration Policy, which includes the policy for Executive Directors and other MRTs.

iv) To approve the good leaver status and general and specific arrangements, including compensation payments, in connection with the termination of employment for all MRTs. To ensure any payments are made in line with the Remuneration Policy, are fair to both the Society and the individual, that failure is not rewarded, and the duty to mitigate loss is fully recognised.

v) To determine the policy for, and the scope of, pension arrangements for each executive director and other MRTs.

vi) To approve Executive Director's individual personal objectives to ensure they are not contrary to the long term interests and risk appetite of the Society.

vii) To ensure schemes include provisions for the Society to recover any sums paid or withhold the payment of a sum, as required by regulation, and specify the circumstances in which it would be appropriate to do so.

viii) To approve or decline the retention by Executive Directors of any financial rewards from external directorships or similar appointments.

c) Colleague Remuneration

i) To provide oversight for the periodic (normally annual) review of remuneration and other terms of service of colleagues, (excluding MRTs).

d) MRT and Relevant Person Remuneration

i) To be actively involved in the MRT and Relevant Person Identification Process, including the annual review and approval procedure.

ii) To monitor, review and approve the structure of remuneration and other terms of service of executive directors and other MRTs, including approval of service agreements, to ensure such remuneration is in line with the Remuneration Policy.

iii) To ensure that bonuses payable to executive directors and other designated senior management are related to corporate and personal performances, and are calculated in accordance with the achievement of the performance criteria determined for the scheme(s).

- iv) To approve the design of any incentive arrangement including instruments used for the delivery of variable pay.
- v) To review and approve the PRA Remuneration Policy Statement.
- vi) To ensure all colleagues identified as Relevant Persons are remunerated in accordance with regulatory requirements.
- e) Society's Chair's Remuneration
 - i) To review, and approve the remuneration levels and other terms of service for the Society's Chair.

8. Authority

The Committee is authorised to:

- i) Seek any information it requires from management in order to perform its duties.
- ii) Obtain at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.
- iii) Establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee.

9. Reporting Responsibilities

- i) The Committee Chair shall report to the Board on the Committee's proceedings after each meeting, on all matters within its duties and responsibilities.
- ii) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.
- iii) The Committee shall produce a report of the Society's remuneration policy and practices, to be included in the Society's Annual Report and Accounts. The Annual Report and Accounts is to be put to the members each year for approval at the AGM, with a members' vote for the Remuneration Policy at least once every three years.
- iv) The Committee Chair shall attend the Annual General Meeting to answer any member questions on the Committee's activities.
- v) Where the Committee has appointed remuneration consultants, the remuneration report shall identify the consultants and state whether they have any other connection with the Society.

10. Other matters

The Committee shall:

- i) obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity and have access to sufficient resources in order to carry out its duties, including access to appropriate professional advisers for assistance as required,
- ii) 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 members,
- iii) arrange for a periodic review 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.

Addendum to the Remuneration Committee Terms of Reference

PRA/FCA Prescribed Responsibilities	<i>How evidenced</i>
<p>Prescribed Responsibility (m)</p> <p>Overseeing the development of, and implementation of the firm’s remuneration policies and practices in accordance with SYSC 19D (Remuneration Code)</p>	<ul style="list-style-type: none"> ▪ Annual Remuneration Policy review ▪ Annual review of Remuneration Policy Statement compliance against the Code ▪ Approve list of MRTs on an annual basis ▪ Annual Internal audit review of Policy compliance with the Remuneration Code
FCA Business Activities	<i>How evidenced</i>
<p>FCA 25 – Incentive schemes for the firm’s staff</p>	<ul style="list-style-type: none"> ▪ Annual Remuneration Policy review ▪ Oversight for the periodic (normally annual) review of remuneration and other terms of service of colleagues