

TERMS OF REFERENCE FOR REMUNERATION COMMITTEE

1. CONSTITUTION

- 1.1 The Remuneration Committee (Committee) was constituted as a committee of the Board of Directors (Board) of Suffolk Building Society.
- 1.2 The Committee has the delegated authority of the Board in respect of the functions and powers set out in these Terms of Reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Society Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

2. ROLE

- 2.1 The role of the Committee is to assist the Board to fulfil its responsibility to members to ensure that remuneration policy and practices of the Society reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- 2.2 In particular the Committee shall consider:
 - (a) Remuneration policies, including basic pay, long and short term incentives.
 - (b) Remuneration practice and its cost to the Society.
 - (c) Pension arrangements and other benefits.
 - (d) The engagement and independence of external remuneration advisers.

3. DUTIES AND TERMS OF REFERENCE

The Committee shall carry out the following duties for the Society as appropriate:

3.1 Remuneration Policy

The Committee shall:

- (a) Determine and recommend to the Board for approval the remuneration and benefits of:
 - (i) The Society's Chief Executive.
 - (ii) The Society's Chief Financial Officer.
 - (iii) The Society's Chief Operating Officer
 - (iv) The Society's Secretary.
 - (v) Any other employees deemed to fall within the definition of the FCA's Remuneration Code (Senior Managers).
- (b) Recommend to the Board the framework and broad remuneration policy for all Society employees.

The remuneration of the Non-Executive Directors of the Board will be a matter for the Chairman of the Board and the Executive.

No Director or Senior Manager shall be involved in any decisions as to their own remuneration.
- (c) In determining the remuneration policy the Committee shall consider:
 - (i) All relevant legal and regulatory requirements.
 - (ii) The provisions and recommendations of the UK Corporate Governance Code (Code) and associated guidance and the FCA's remuneration Code.
 - (iii) An appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration.
 - (iv) The need to promote the long-term success of the Society, ensuring that Executive Directors and Senior Management are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions.

- (v) The business strategy of the Society and how the policy reflects and supports the business strategy.
- (vi) The Society's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Society's risk policies and systems and long term strategic goals.
- (vii) Remuneration trends and employment conditions across the Society.
- (viii) The transparency of the performance-related elements, ensuring they are stretching and rigorously applied.
- (d) Review at least annually the on-going appropriateness and relevance of the Remuneration Policy.
- (e) Determine, within the terms of the agreed remuneration policy, the total remuneration package for each Executive Director and Senior Manager including:
 - (i) Basic salary.
 - (ii) Performance Related Pay Scheme. In particular the Committee shall recommend to the Board the design of, and targets for, any performance related pay schemes (PRP Scheme) operated by the Society for the benefit of employees deemed to fall within the FCA's Remuneration Code and recommend to the Board the total annual payment under such PRP Scheme.
 - (iii) Pension arrangements, including the level of contributions by the Society.
 - (iv) Other bonuses (including discretionary annual bonuses) and benefits in cash or in kind.

3.2 Pensions

The Committee shall review the pension arrangements for the Executive Directors and Senior Managers and in particular the pension consequences and associated costs to the Society of basic salary increases and any other changes in pension remuneration.

3.3 Remuneration consultants

The Committee shall:

- (a) To help it fulfil its obligations and to enable it to judge where to position the Company relative to other companies, 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 Company but within any budgetary restraints imposed by the board.
- (b) Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

3.4 Service contracts and severance

The Committee shall:

- (a) Approve the terms of the service contracts, the duration of which shall not exceed one year's notice period, for Executive Directors and any material amendments to those contracts.
- (b) Determine the policy for, and scope of, termination payments and compensation commitments for each Executive Director.
- (c) Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Society and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

3.5 Other matters

The Committee shall:

- (a) Keep abreast of external remuneration trends and market conditions.
- (b) Oversee any major changes in remuneration and employee benefits structures throughout the Society.
- (c) Agree the policy for authorising claims for expenses from the directors.

- (d) Exercise any discretion or judgment on remuneration issues in accordance with the Remuneration Policy.
- (e) Consider such other matters as are referred to the Committee by the Board.
- (f) Work and liaise as necessary with all other Board committees.

4. MEMBERSHIP

- 4.1 The Committee shall comprise of Four Non-Executive Directors
- 4.2 The Board shall appoint members of the Committee, on the recommendation of the Chairman and Nominations Committee.
- 4.3 The Chairman of the Board may be a member of the Committee but shall not chair the Committee.
- 4.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 4.5 The Board shall appoint the Chairman of the Committee. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.
- 4.6 The Committee Chairman shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 4.7 The Society Secretary shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

5. QUORUM

- 5.1 The quorum necessary for the transaction of business at a Committee meeting shall be three members, present in person or by audio or video conference. If there is difficulty in achieving a quorum, independent non-executive directors, who are not members of the Committee, may be co-opted as members for individual meetings.
- 5.2 A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. ATTENDANCE AT MEETINGS

- 6.1 The Committee shall meet at least two times a year and otherwise as required.
- 6.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, HR and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 6.3 No person (including Directors and the Chairman) of the Society shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 6.4 The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.5 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conferences.

7. NOTICE OF MEETINGS

- 7.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 7.2 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 three working days before the date of the meeting.

8. VOTING ARRANGEMENTS

- 8.1 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting
- 8.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3 Except where he has a personal interest, the Committee chairman shall have a casting vote.
- 8.4 The Committee chairman may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

9. MINUTES OF MEETINGS

- 9.1 The Society Secretary (or his or her nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

10. ANNUAL GENERAL MEETING

- 10.1 The Committee Chairman shall attend the annual general meeting to answer member questions on the Committee's activities.

11. REPORTING RESPONSIBILITIES

The Committee shall:

- 11.1 Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and the minutes of all meetings shall be available upon request.
- 11.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall prepare an annual report on Directors' remuneration for inclusion in the Society's Annual Report and Accounts and Annual Review of the Year.
- 11.4 Make available to the Society's members these terms of reference by placing them on the Society's website.

12. GENERAL MATTERS

The Committee shall:

- 12.1 Have access to sufficient resources in order to carry out its duties, including access to the Society Secretary for assistance as required.
- 12.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 12.3 Work and liaise as necessary with all other Board Committees.
- 12.4 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

13. AUTHORITY

The Board authorises the Committee to:

- 13.1 Carry out all duties set out in these terms of reference, to have unrestricted access to the Society's documents and information and to obtain, at the Society's expense, with prior approval from the Board, appropriate professional advice on any matter within its terms of reference as it considers necessary.
- 13.2 Seek any information it requires from any employee of the Society to perform its duties.
- 13.3 Secure the attendance of external advisers at its meetings if it considers this necessary, at the Society's expense, with prior approval from the Board.