

1.0 OBJECTIVE

- 1.1 The objective of the Remuneration Committee is to determine the framework and policy for the remuneration of the Society's Chief Executive and members of the Executive team and ensure that they are consistent with the Society's risk-taking (appetite) policy.
- 1.2 The remuneration of the Chairman of the Committee of Management and the non-executive directors shall be a matter for the Executive members of the Managing Board with final approval of the decision given by the Society's President.

2.0 COMPOSITION

- 2.1 The members of the Committee, not being less than two, shall be appointed by the Committee of Management one of whom shall be appointed by the Committee of Management to chair the Committee. All members of the Committee should be independent non-executive directors. (The Chairman of the Committee should not be the Chairman of the Committee of Management or Managing Board.)
- 2.2 In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.
- 2.3 The Company Secretary or his/her nominee shall be the secretary of the Committee.
- 2.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, HR representatives and external advisers may attend meetings at the invitation of the Chairman of the Committee as and when appropriate.
- 2.5 No attendee at any meeting shall participate in any decision on his/her own remuneration.
- 2.6 Attendees are not members of the Committee and they may be collectively or individually requested to withdraw from meetings of the Committee if required to do so by the Chairman of the Committee.

3.0 Meetings

3.1 Quorum

The Committee shall have a quorum of two members. A duly convened meeting of the Committee 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. A quorum may be present in person or in communication with each other by telephone. To count in the quorum a person who is in communication with the others by telephone must be able to hear fully, and participate in, the proceedings.

3.2 Frequency

The Committee will meet formally at least once a year. Additional meetings may be called by any member of the Committee or by the Company Secretary.

3.3 Notice

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 no later than 3 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. Ad hoc meetings to deal with unexpected or unusual events may be called at short notice.

Terms of reference: Remuneration Committee (updated 6 May 2009)

The Committee may make decisions outside of meetings in writing provided all members of the Committee sign to confirm their approval of the decision.

3.4 Minutes

The Secretary shall attend and keep appropriate records of all Committee meetings and minute the proceedings (including all decisions made)

3.5 Reporting

The Chairman of the Committee shall report its proceedings to the Committee of Management and attend general meetings prepared to respond to any questions on the Committee's activities.

The Committee shall produce an annual report of the Society's remuneration policy and practices which will form a part of the Society's annual report and ensure each year that it is put to delegates for approval at the AGM

4.0 DUTIES

4.1 The Committee shall

- Determine a broad framework or broad policy for the remuneration of the Society's Chief Executive and the Executive team. No director or manager shall be involved in any decisions as to their own remuneration.
- In determining such policy, take into account all factors which it deems necessary. The objectives of such policy should be to ensure that members of the Executive team are provided with appropriate incentives to encourage enhanced performance and are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Society.
- Review ongoing appropriateness and relevance of the remuneration policy
- Approve the design of, and determine targets for, any performance related pay schemes operated for the Executive team and approve the total annual payments made under such schemes and consider the risks to the business that such schemes and targets may give rise to
- Seek approval from delegates at the AGM for any long term performance related pay schemes as required under the Annotated Combined Code/Remuneration Regulations
- Determine the policy for and scope of pension arrangements for each member of the Executive team
- Determine the policy for and scope of terms of service or employment contracts generally
- Ensure that the contractual terms on termination, and any payments made (including pension contributions), are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised
- Approve any compensation packages or arrangements following the severance of any of the Executive team's contracts, with a view to ensuring the Executive is fairly treated but that failure is not rewarded
- Within the terms of the agreed policy, and in consultation with the Chairman or Chief Executive as appropriate, determine the total individual remuneration package of each Executive team member including bonuses, incentive payments and other benefits
- In determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Annotated Combined Code, Remuneration Regulations and FSA regulations

The Committee shall also

- Review and note annually the remuneration trends across the Society or Group

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- oversee any major changes in employee benefit structures throughout the Society or Group to ensure appropriate alignment with the Society's risk appetite policy such that it encourages appropriate behaviours and sustainable, long term decisions
- approve the design of, and determine targets for any performance related pay schemes operated by the society and approve the total annual payments made under such schemes
- monitor and assess the compliance with the agreed remuneration and employee benefit policies with the aim of understanding and addressing any potential risks to the long term goals of the Society (which may ultimately impact on the capital requirement of the Society)
- agree the policy for authorising claims for expenses form the Chief Executive
- ensure that all provisions regarding disclosure or remuneration, including pensions, are fulfilled
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee
- obtain reliable, up to date information about remuneration in other companies

5.0 AUTHORITY

- The Committee is authorised, when the fulfilment of its duties requires and at the Society's expense, to obtain outside legal or other professional advice and secure the attendance of external advisers at its meetings on any matters within its terms of reference.
- The Committee is authorised to seek any information it requires from any employee of the Society or its subsidiaries in order to perform its duties
- The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations
- The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required
- The Committee is authorised to admit new entrants to the PMAS Staff Pension Fund on an individual basis at its discretion.