

Terms of Reference – Remuneration Committee

1. Purpose

- 1.1. The Board has established a Committee of the Board of the Exeter Friendly Society Limited (the Society) to be known as the Remuneration Committee (Remco). Remco reports to the Board and its overarching purpose is to consider, agree and recommend to the Board on overall remuneration policy and approach that is aligned to the Society's long-term business strategy, business objectives, risk appetite and the long-term interests of its members.

2. Authority

- 2.1. Remco is authorised by the Board to:
 - (a) Investigate any activity within these terms of reference
 - (b) Seek any information that it requires from any employee, and all employees are directed to co-operate with any request made by the Committee; and
 - (c) Obtain external legal or other independent professional advice where it deems this necessary.
- 2.2. The Committee may sub-delegate appropriate powers and authority where it sees fit, including the establishment of sub-committees to analyse issues or themes and to report back to the Committee.

3. Membership

- 3.1. The Committee shall be made up of at least three members, all of whom shall be independent non-executive directors of the Board. The Chair of the Board may also serve on the Committee as an additional member if they are considered independent on appointment as Chair. The Chair of the Board shall not count towards the minimum of three members and shall not be Chair of the Committee.
- 3.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Chief People Officer, the Chief Risk Officer and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary. All non-executive directors of the Board are invited to attend Committee meetings at which bonus and incentive schemes of the Society are being reviewed.
- 3.3. Members of the Committee shall be appointed by the Society's Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee. Appointments to the Committee are made by the Board and shall be for a period of up to three years, extendable by no more than two additional three-year periods, provided the director (other than the Chair of the Board), still meets the criteria for membership of the Committee and re-election by members.
- 3.4. 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 twelve months. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify

under these Terms of Reference to be appointed to that position by the Board. The Chair of the Board shall not be Chair of the Committee.

- 3.5. No Committee attendee or member shall participate in any discussion or decision on their own remuneration.

4. Secretary

- 4.1. The Company Secretary, or their nominee, shall act as the Secretary of the Committee and 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.

5. Quorum

- 5.1. The quorum necessary for the transaction of business shall be two (refer to 3.1).

6. Frequency of Meetings

- 6.1. The Committee will normally meet at least three times a year at appropriate intervals as requested as part of the Remco's responsibilities and otherwise as required. Ad hoc meetings may be held in person, over the telephone or by technology enabled conference. A member of the Committee so participating shall be deemed to be present in person and at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.
- 6.2. The Chair or any member of the Committee or the Company Secretary may convene a meeting of the Committee at any time on reasonable notice to consider any matter failing within these Terms of Reference. The Committee is permitted to provide approval or direction outside of scheduled meetings in circumstances where agile decision making is necessary. Such decisions shall be effective if accompanied by suitable briefings and supported by a majority, to include the Chair of the Committee. In circumstances where a decision is required to be made in a timely fashion, the interim meeting may take place by e-mail and shall be valid if the e-mail has been circulated to all members of the Committee and the decision is approved by a quorum.

7. Notice of Meetings

- 7.1. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Committee Chair or any of its members. Meetings can be requested by management if they consider it necessary.
- 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, any other person required to attend and all other non-executive directors, 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.

8. Minutes of Meetings

- 8.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.
- 8.2. Draft Minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes shall be circulated to all other members of the Board unless in the opinion of the Committee Chair it would be inappropriate to do so.

- 8.3. The Minutes of each meeting will be distributed to all attendees as appropriate, taking into account any conflicts of interest which may exist. Reports will be made to the Board following each meeting of the Committee by the Chair of that meeting.
- 8.4. Final signed copies of the minutes of the meetings of the Committee should be maintained for the Society's records.
- 8.5. Where meetings have taken place by exchange of e-mail, copies of the e-mails shall be included in the minute book as the minutes of the e-mail meeting.

9. Member Engagement

- 9.1. The membership of the Committee and description of its duties and activities during the year will be disclosed in the Annual Report of the Society. The Chair of the Committee, or a deputy chosen from its membership, will be available at the Annual General Meeting of the Society to answer questions which relate to the work of the Committee and, where necessary engage with members on the scope of the activities or any significant matter relating to the Committee's area of responsibility.

10. Responsibilities

- 10.1. When considering remuneration policy and practices, the Committee is responsible for oversight of the Society's overall compliance.
- 10.2. The Committee will take into account all factors which it deems necessary, including legal and regulatory requirements, which may be relevant and applicable to the Society including but not limited to provisions and recommendations of the AFM UK Corporate Governance Code, the FCA's Remuneration Code, the PRA's Solvency II Remuneration Requirements and associated guidance to the extent that they apply to the Society.
- 10.3. Remco's work will be supported by the maintenance of a rolling agenda covering regular activities undertaken by the Committee in the fulfilment of its responsibilities.
- 10.4. Remco's key functions are:

General oversight

- 10.4.1. Ensure that competitive remuneration packages are in place that attract, retain, motivate and reward the Executive Committee to deliver business objectives in support of the Society's purpose and strategy whilst providing value to our members.
- 10.4.2. To ensure that in performing its functions, it does so in a way as to ensure good customer outcomes for members of the Society.
- 10.4.3. To approve the remuneration sections of the Annual Report and Accounts and Summary Financial Statements Remuneration Committee Report.
- 10.4.4. Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall 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 but within any budgetary restraints imposed by the Board.
- 10.4.5. Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

- 10.4.6. Work and liaise as necessary with all other Board Committees, ensuring the interaction between committees and with the Board is reviewed at least annually.
- 10.4.7. No director or employee shall be involved in decisions about their own remuneration. A separate Non-Executive Remuneration Committee, will approve the fees of non-executive directors which will then be ratified by the Board.

Remuneration Policy

- 10.4.8. Ensure that remuneration policy is consistent with regulatory requirements and the Society's purpose, financial situation and future prospects.
- 10.4.9. Maintain oversight and governance of the Society's remuneration policy and practices ensuring they are comprehensive and proportionate to the nature, scale and complexity of the Society's activities and take into account its statutory duties in relation to ESG, equal pay and non-discrimination.
- 10.4.10. Ensure that the remuneration policy shall have regard to the risk appetite of the Society and alignment to the Society's long-term strategic goals. A significant proportion of remuneration shall be structured so as to link rewards to corporate and individual performance and designed to promote the long-term sustainable success of the Society. The remuneration policy shall promote a positive risk culture, sound and effective risk management and shall not encourage risk-taking that exceeds the Society's risk tolerance limits.
- 10.4.11. Regularly review the on-going appropriateness and relevance of the Remuneration Policy.

Executive and SMF Pay

- 10.4.12. Determine and agree with the Board the framework for remuneration for the Chief Executive Officer (CEO), Executive Directors and members of the Executive Committee (known as Exco) and any individuals who hold Senior Management Functions (SMF) and regularly monitor and review the framework to ensure effectiveness against the remuneration policy.
- 10.4.13. Approve the salaries, any salary adjustments, pension and benefit arrangements, variable pay awards and payments for the Executive Committee and those with SMF responsibilities.
- 10.4.14. Ensure that in relation to the Executive Committee, contractual terms on termination, and any payments made, are fair to the individual and the Society, that failure is not rewarded, that the duty to mitigate loss is fully recognised and that severance payments are fully disclosed in the Directors' Remuneration Report.
- 10.4.15. within the terms of the agreed Remuneration Policy and in consultation with the Chair and/or Chief Executive, as appropriate, determine the total individual remuneration package of each executive director, the Society Chair and members of the Executive Team including bonuses and incentive payments.
- 10.4.16. agree the policy for authorising claims for personal expenses from the directors.

General pay and conditions

- 10.4.17. Approve the annual pay review for employees, recommended by the Executive Committee.
- 10.4.18. When setting the remuneration policy for the Executive Committee and the Society's Chair, review and have regard to pay and employment conditions across the Society, especially when determining annual salary increases.
- 10.4.19. Oversee any major changes in employee benefits structures throughout the Society.

Variable Pay

- 10.4.20. Approve the design of any variable remuneration schemes and approve any amendments made.
- 10.4.21. Approve the targets proposed by the Executive Committee, for any performance-related pay schemes operated by the Society and approve the total annual payments made under such schemes.
- 10.4.22. Establish and oversee the selection of key performance indicators (KPIs) for performance-related pay schemes. This includes designing KPI targets specifically for executive remuneration and ensuring alignment with strategic objectives.
- 10.4.23. Determine and approve the final payout at the end of the year for the Executive Committee and the wider organisation, ensuring consistency and fairness across all levels.
- 10.4.24. Exercise any discretion specified in the rules of any performance related pay schemes and generally oversee the administration of these schemes.
- 10.4.25. Monitor and evoke agreed safeguards, for example modifiers and clawback, to protect against rewards for failure through appropriate liquidity, governance and risk management of any incentive arrangements and adjustments, if necessary.

11. Reporting Responsibilities

- 11.1. The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2. The Committee shall 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 ensure that a remuneration report equivalent to that described in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (or any amendment of this legislation), and which draws on current best practice guidelines produced by the Association of Financial Mutuals, is included in the Society's Annual Report and is subject to an advisory vote at the Annual General Meeting. If the Committee has appointed remuneration consultants, the annual report of the Society's remuneration policy should identify such consultants and state whether they have any other connection with the Society.

12. Other Matters

The Committee shall:

- 12.1. have access to sufficient resources in order to carry out its duties, including access to the Company 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. give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors, including the provisions of the AFM's UK Corporate Governance Code, the FCA's Remuneration Code, the PRA's Solvency II Remuneration Requirements, guidelines published by the Association of British Insurers and associated guidance to the extent that they apply to the Society; and
- 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.
- 12.5. Remco will review and update these Terms of Reference to reflect best practice at least annually, requesting Board approval for all proposed changes.

**Approved by the Board
February 2025**