



# **OSB GROUP PLC (the Company)**

## **Group Remuneration and People Committee**

### **Terms of Reference**

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#### **1. OBJECTIVES**

- 1.1 The Group Remuneration and People Committee (the Committee) is a Committee of the Board. The primary objective of the Committee is to advise and make recommendations to the Board on the overarching principles and parameters of remuneration and people-related policies across the Group that are aligned with the business strategy and objectives, risk appetite, values, culture (to deliver good customer outcomes) and long term interests of the Company and its subsidiaries (the Group), recognising the interests of all stakeholders and taking into account applicable laws, regulations and principles of good practice.
- 1.2 Ensuring that the Group adheres to best practice in relation to corporate governance in a manner that is proportionate to the size and complexity of the Group and is in line with the UK Corporate Governance Code (the CG Code), the requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

#### **2. CONSTITUTION, MEMBERSHIP AND QUORUM**

- 2.1 The Committee shall be made up of at least three independent Non-Executive Directors of the Group. The Chair of the Board may also serve on the Committee as an additional member, but not as its Chair, if they were considered independent on appointment as Chair.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as other Board Directors, the Chief Executive Officer, the Chief Financial Officer, the Group HR Director, the Head of Reward, Group General Counsel and Company Secretary and external advisers may be invited to attend for all or part of any meeting as and when appropriate. No person will be in attendance when matters concerning their own remuneration or fees are discussed.
- 2.3 Members of the Committee shall be appointed by the Board on the recommendation of the Group Nomination and Governance Committee in consultation with the Chair of the Committee.
- 2.4 The Board shall appoint the Chair of the Committee on the recommendation of the Group Nominations and Governance Committee who shall be an independent Non-Executive Director and have served on a remuneration committee of a UK listed company for at least 12 months prior to appointment. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.
- 2.5 Appointments to the Committee shall be for a period of up to three years, which at the discretion of the Group Nomination and Governance Committee, may be extended for two further three-year periods, subject to members continuing to meet the criteria for membership.
- 2.6 The quorum necessary for the transaction of business shall be two members.
- 2.7 Meetings of the Committee may be held by telephone or by any other means whereby the participants are able to communicate effectively with each other.

#### **3. SECRETARY**

- 3.1 The Company Secretary or their nominee shall act as the Secretary of the Committee and attend all meetings. They 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.

#### **4. VOTING ARRANGEMENTS**

- 4.1 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 (whether in person or by audio or video conference).
- 4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote on that matter.
- 4.3 Except where they have a personal interest, the Chair of the Committee shall have a casting vote.

#### **5. FREQUENCY OF MEETINGS**

- 5.1 The Committee shall meet at least three times each year at appropriate intervals. Additional meetings may be called at such other times as the Chair of the Committee shall determine.

#### **6. NOTICE AND MINUTES**

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair of the Committee.
- 6.2 The Secretary will normally distribute the agenda and papers for meetings at least five (5) days before the date of the meeting.
- 6.3 The Secretary or their nominee shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.
- 6.4 Draft minutes of meetings shall be distributed promptly to the Chair of the Committee. Once approved, minutes should be made available to all other members of the Board unless in the opinion of the Chair of the Committee it would be inappropriate to do so.

#### **7. ANNUAL GENERAL MEETING**

- 7.1 The Chair of the Committee should attend the annual general meeting to answer shareholder questions on the Committee's activities.
- 7.2 The Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

#### **8. REPORTING RESPONSIBILITIES**

- 8.1 The Chair of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and on how it has discharged its responsibilities.
- 8.2 The Committee shall make recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in relevant laws, regulations, the CG Code and the FCA's Remuneration Code, are fulfilled. This includes ensuring that the Company's annual report sets out a report on Directors remuneration and, in years that it is being put to shareholders, a Directors' Remuneration Policy.
- 8.4 In compiling the report referred to in 8.3, the Committee should include:
  - 8.4.1 the gender balance of those in senior management team and their direct reports; and
  - 8.4.2 a statement of the Board's policy on diversity, equity and inclusion, including gender, and measurable objectives that it has set for implementing the policy and progress on achieving the objectives.

- 8.5 If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company or individual Directors.
- 8.6 The Chair of the Committee shall report annually to the Board on the substance of the Company's remuneration policy and its application; this report will be accompanied by commentary from the Chair of the Group Risk Committee in the context of the Company's risk appetite.
- 8.7 The Committee, through the Chair of the Board, shall ensure that the Company maintains contact as required with its principal shareholders about remuneration and ensure that their views are considered.

## 9. OTHER MATTERS

- 9.1 The Committee shall, at least once each year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 9.2 The Committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
  - (b) 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;
  - (c) give due consideration to laws, regulations, provisions of the CG Code and associated guidance, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and the FCA's Remuneration Code;
  - (d) give due consideration to published industry and investor guidelines as appropriate; and
  - (e) work and liaise as necessary with all other Committees of the Board and ensure that the interaction between the Committee and the Board is reviewed regularly.

## 10. AUTHORITY

- 10.1 The Board has delegated the powers, authorities and discretions set out in this Terms of Reference. The Committee may sub-delegate (unless expressly prohibited by the Board) some of its powers and authorities, including, the establishment of sub-committees to analyse issues or themes and to report to the Committee.
- 10.2 The Committee has authority to investigate any matter relating to the Group within its Terms of Reference and to seek such information as it may require from any Director, officer, or employee of the Group in order to perform its duties.

It also has authority to obtain, at the Group's expense, independent legal or other professional advice (including advice from external remuneration firms) on any matter and if necessary, invite external advisers with relevant experience to attend meetings of the Committee; and call any employee to be questioned at a meeting of the Committee, as and when required.

## 11. DUTIES

- 11.1 The Committee should carry out the duties detailed below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

*In all instances, no Director or senior manager shall be involved in any decisions as to their own remuneration. For the avoidance of doubt, Non-Executive Director remuneration shall be determined by the Executive Directors and Chair of the Board in accordance with the Company's Articles of Association.*

### 11.2 Remuneration Policy

### 11.2.1 Group Remuneration Policy

**Review and recommend** for Board approval the Group's remuneration policy and review the ongoing appropriateness and relevance of the policy. The policy shall set out the overarching objectives, principles and parameters of the remuneration practices to be operated by the Group, including the Group's:

- (a) risk appetite and risk management policy to ensure sound and effective risk management;
- (b) business strategy and objectives; and
- (c) corporate culture, values and long-term interests (including long-term strategic goals).

**Oversee** the Group Annual Discretionary Bonus and Salary Increase Policy.

 11.2.2 **Review** workforce remuneration and related implementation policies and note annually the remuneration trends across the Group, including Diversity, Equity and Inclusion principles (including but not limited to gender, ethnic and social backgrounds) and Environmental, Social and Governance (ESG) metrics.

 11.2.3 Executive Director Remuneration Policy

**Determine and recommend** for Board approval, the remuneration policy for the Executive Directors, including pension rights and any compensation payments, with due regard to the Group's strategy, long-term sustainable success, the views of shareholders and other relevant stakeholders. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders (the Retention Objective).

In determining the remuneration policy for the Executive Directors, the Committee should consider:

- (a) the Group's risk appetite and risk management strategy, aligning remuneration to the Group's risk policies and systems and long-term strategic goals;
- (b) an appropriate proportion of remuneration should be linked to corporate and individual performance and the successful delivery of the Company's long-term strategy, to promote the long-term sustainable success of the Group;
- (c) pay and employment conditions across the Group;
- (d) the purpose and values of the Group, together, the 'Core Factors'.
- (e) the requirements under the CG Code; and
- (f) all other factors which the Committee deems necessary (including legal, regulatory compliance, the requirement to provide details publicly in the Annual Report, and other relevant guidance).

**Approve** the Executive Director and Group Executive Committee Remuneration Policy.

 11.2.4 Material Risk Taker Remuneration Policy

**Review and recommend** for Board approval the remuneration policy for the Material Risk Takers<sup>1</sup> including pension rights and any compensation payments, with due regard to the

<sup>1</sup> employees who are identified as Material Risk Takers for the purposes of the Prudential Regulation Authority's Remuneration Code and the Qualitative

Group's strategy, long-term sustainable success, the views of shareholders and other relevant stakeholders and the Retention Objective.



#### 11.2.5 Remuneration Packages

**Review and approve**, in line with the Group Remuneration Policy and in consultation with the Chair of the Board, the Chairs of the Group Audit and Risk Committees and/or Chief Executive Officer, as appropriate, the total individual remuneration package of the Chair, each Executive Director, the Company Secretary and other designated senior executives<sup>2</sup> including bonuses, any other incentive payments and share-based awards. The Committee should consider the choice of financial, non-financial and strategic measures and exercise independent judgement and discretion when determining remuneration awards, taking account of Group and individual performance and wider circumstances including scrutinising the performance of senior executives against agreed performance objectives.

**Ensure** workforce remuneration practices and culture are taken into account when determining individual remuneration packages.



#### 11.2.6 Exemptions

Review and approve any material exemptions to the remuneration policies for individual employees.



#### 11.2.7 Benchmarking and Remuneration Consultants

**Oversee** regular reviews of current and reliable information about remuneration in other companies of comparable scale and complexity.

**Establish** a criteria for selecting, appointing and setting the terms of appointment for remuneration consultants.

**Commission** remuneration consultants to produce reports, surveys or information which the Committee deems necessary. The Committee should avoid designing pay structures based solely on benchmarking or on the advice of remuneration consultants.

### 11.3 Performance-related pay



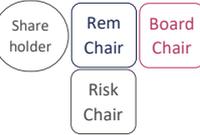
#### 11.3.1 Forward-look and Annual Outcomes

**Determine** targets for any performance-related pay schemes operated by the Group. In so doing, the Committee will take advice from:

- (a) the **Chair of the Group Risk Committee** (who shall ensure that awards reflect the Group's risk appetite and profile and considers current and potential future risks; and
- (b) the **Chief Financial Officer** (who shall confirm that any variable pay takes account of the cost and quality of capital and the liquidity required);<sup>3</sup>

and ensure the schemes allow for formulaic performance-related pay outcomes to be overridden and for payments made under the Schemes to be recovered and/or withheld when appropriate.

**Approve** the total annual payments to be made (both forward looking and in respect of annual outcomes) under such schemes considering the Board's overall assessment of the Group's annual performance.



<sup>2</sup> and Quantitative Criteria within the European Banking Authority (EBA) Regulatory Technical Standards (RTS)  
<sup>2</sup> Designated senior executives include all members of the Group Executive Committee and any other senior employees in independent control functions.  
<sup>3</sup> including confirmation that the calculations of the variable remuneration elements are based on appropriate measures of profit.

### 11.3.2 Alteration of the Schemes

**Review and recommend** for Board and/or shareholder approval the design, introduction or any material changes to all share incentive plans.

For any such approved plans, and subject to the Chair of the Group Risk Committee endorsement, where appropriate, **determine and approve** each year whether awards will be made, and if so:

- (a) the overall amount of such awards;
- (b) the individual awards to Executive Directors and other senior executive management; and
- (c) the performance targets to be used.

### 11.3.3 Administration of Share Schemes

**Approve** the exercise of employees' options (or other awards) and the issue of shares under the Company's employee share plans.

### 11.3.4 Executive Pension Arrangements

**Determine** the policy for, and scope of, pension arrangements for each Executive Director and other senior executive management considering the Group Remuneration Policy.

### 11.3.5 Executive Director Shareholding Policy

**Establish** remuneration schemes that promote long-term shareholding by Executive Directors that support the alignment with long-term shareholder interests; and

**Approve** a shareholding policy which encourages continued shareholding during employment

### 11.3.6 Termination Payment Review

**Oversee** the contractual termination rights of Executive Directors, senior executives<sup>4</sup>, the Company Secretary and Material Risk Takers, ensuring that any payments are fair for both the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

### 11.3.7 Material Risk Taker List

**Oversee** the maintenance of the Material Risk Takers list.

### 11.3.8 Annual Review

**Review** the adequacy and effectiveness of the Directors' Remuneration Policy to ensure that it supports sound and effective risk management and the appropriateness of any variable remuneration included in overall compensation.

Ensure that the implementation of the Director's Remuneration Policy is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the Committee.

### 11.3.9 Changes to Benefits Structures

**Oversee** any major changes in employee benefits structures throughout the Group.

### 11.3.10 Disclosure Requirements

**Ensure** that all provisions regarding disclosure of remuneration, including pensions, are

<sup>4</sup> Being members the Group Executive Committee

fulfilled.

### 11.3.11 People Matters

Provide **oversight** of people matters within the Group (in conjunction with the Group Nomination and Governance Committee) including the targets set by the Women in Finance Charter, Gender Pay Gap reporting, Culture, updates from Employee Workforce Forum (OurVoice) and outputs from surveys relating to employee engagement.

### 11.3.12 Diversity, Equity and Inclusion

**Review and approve** the Diversity, Equity and Inclusion Policy.

**Oversee** the Group's Diversity, Equity and Inclusion strategy, including reviewing appropriate data.

**Ensure** that the Group's Diversity, Equity and Inclusion strategy is considered in discussions and decisions made by the Committee.

#### Document key

<i>Symbol</i>	<i>Approving entity</i>	<i>Symbol</i>	<i>Accountable entity</i>
	Group Remuneration and People Committee (RemCo)		Chair of Remuneration Committee
	Board (upon recommendation from RemCo)		Chair of the Board
	RemCo recommends to Board, who recommend to shareholders for approval		Chair of Group Risk Committee
	RemCo (upon recommendation from Chief Executive Officer)		Chief Executive Officer
	RemCo (upon full Board recommendation in light of the Group's annual performance)		

#### Document control information

<b>Version</b>	1.2	<b>Owner</b>	<i>Company Secretariat</i>
<b>Endorsed</b> by the Group Remuneration and People Committee on 23 January 2024		<b>Approved</b> by the Board on 6 February 2024	
<b>Review Frequency</b>	<i>Annually or as required for material amendments</i>	<b>Next Review date</b>	<i>December 2024</i>