

ONESAVINGS BANK PLC

(the "Company")

REMUNERATION COMMITTEE

TERMS OF REFERENCE

1. OBJECTIVES

The Remuneration Committee (the Committee) is a Committee of the Board. The Board has delegated responsibility to the Committee to advise the Board on developing an overall remuneration policy that is aligned with the business strategy and objectives, risk appetite, values and long term interests in the Group, recognising the interests of all stakeholders.

2. MEMBERSHIP

- 2.1 The Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee, and in consultation with the Chair of the Committee.
- 2.2 The Committee shall be made up of at least three independent non-executive Directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the Finance Director, the General Manager, HR and, by invitation where considered appropriate, external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 2.4 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for two further three-year periods.
- 2.5 The Board shall appoint the Chair of the Committee who shall be an independent non-executive Director. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.
- 2.6 The Chairman of the Board shall not be Chair of the Committee.

3. SECRETARY

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.

4. QUORUM

- 4.1 The quorum necessary for the transaction of business shall be two. 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.
- 4.2 Meetings of the Committee may be held telephonically or by any other means whereby the participants are able to communicate effectively with each other.

5. **VOTING ARRANGEMENTS**

- 5.1 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).
- 5.2 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 on that matter.
- 5.3 Except where he has a personal interest, the Chair of the Committee shall have a casting vote.

6. **FREQUENCY OF MEETINGS**

The Committee shall meet at least three times a year and at such other times as the Chair of the Committee shall require.

7. **NOTICE OF MEETINGS**

- 7.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.
- 7.2 Unless otherwise agreed and except where a situation of urgency otherwise requires, wherever practicable, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be communicated 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, wherever practicable, be provided to Committee members and to other attendees as appropriate, at the same time.
- 7.3 Papers required by the Committee may be provided electronically.

8. **MINUTES OF MEETINGS**

- 8.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated 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.

9. **ANNUAL GENERAL MEETING**

The Chair of the Committee should attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

10. **DUTIES**

- 10.1 The Committee should carry out the duties below for the Company and its subsidiaries from time to time (the "**Group**") and major subsidiary undertakings as a whole, as appropriate.
- 10.2 The Committee shall:
- (a) have responsibility for setting the remuneration policy for all executive Directors of the Company and the Chairman of the Board, the Company Secretary and all employees that are identified as Code Staff for the purposes of the Prudential

Regulation Authority's Remuneration Code ("Code Staff" and "the Code" respectively") including pension rights and any compensation payments. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive Directors within the limits set in the Articles of Association. No Director or senior manager shall be involved in any decisions as to their own remuneration;

- (b) in determining the remuneration policy in accordance with paragraph (a) above, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code ("Code") and associated guidance. 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.
- (c) In determining the remuneration policy, take into account the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long-term success of the company;
- (d) recommend and monitor the level and structure of remuneration for senior management;
- (e) when setting remuneration policy for directors, review and have regard to pay and employment conditions across the Company or Group especially when determining annual salary increases;
- (f) review the ongoing appropriateness and relevance of the remuneration policy;
- (g) within the terms of the remuneration policy and in consultation with the Chairman of the Board and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chairman of the Board, each executive Director, Company Secretary and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- (h) in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Code, the UK Listing Authority's Listing Rules and Financial Conduct Authority's ("FCA") Remuneration Code and associated guidance;
- (i) 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, within any budgetary restraints imposed by the Board;
- (j) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- (k) approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes taking into account the Board's overall assessment of the Group's annual performance. The Committee will seek input from the Risk Committee to ensure that awards reflect the Company's risk appetite and profile and takes into account current and potential future risks. Additionally, the

Committee will seek input from the Finance Director to confirm that any variable pay takes account of the cost and quality of capital and the liquidity required including confirmation that the calculations of the variable remuneration elements are based on appropriate measures of profit;

- (l) review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive Directors and other senior executive management and the performance targets to be used;
- (m) determine the policy for, and scope of, pension arrangements for each executive Director and other senior executive management;
- (n) ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- (o) review and note annually the remuneration trends across the Group;
- (p) oversee any major changes in employee benefits structures throughout the Group;
- (q) agree the policy for authorising claims for expenses from the Chief Executive Officer and Chairman of the Board;
- (r) ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.

11. **REPORTING RESPONSIBILITIES**

- 11.1 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.
- 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 provisions regarding disclosure of information, including pensions, as set out in relevant laws, regulations and the Code, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the annual general meeting. 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.
- 11.4 Through the Chairman of the Board, ensure that the company maintains contact as required with its principal shareholders about remuneration.

12. **OTHER**

- 12.1 The Committee shall, at least once a year, review its own performance, 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. The Chair of the Committee shall report annually to the Board on the substance of the Company's remuneration policy, and this report will be accompanied by commentary from the Chief Risk Officer in the context of the Company's risk appetite.
- 12.2 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 Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and the FCA's Remuneration Code; and
- (d) give due consideration to published industry guidelines as appropriate.

13. **AUTHORITY**

The Committee is authorised by the Board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference. To help the Committee to 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, within any budgetary restraints imposed by the Board.