

## SECURE TRUST BANK PLC (“STB” or “Company”)

## REMUNERATION COMMITTEE

## TERMS OF REFERENCE

adopted by the Board on 24 October 2018<sup>1</sup>

References to the “**Committee**” means the Remuneration Committee of the Board of STB.

References to the “**Board**” means the Board of Directors of STB.

References to the “**Group**” means STB and its subsidiaries.

Current Members <sup>2</sup> :	Mrs Victoria Stewart (Chairman)
	Lord Forsyth
	Mr Paul Myers

## 1. Membership

- 1.1 The Board shall appoint the Chairman of the Committee (the “**Chairman**”) in accordance with the requirements of the 2018 UK Corporate Governance Code (the “**Code**”). In the absence of the Chairman, the remaining members present shall elect one member to chair the meeting. The Chairman of the Board shall not be appointed chairman of the Committee.
- 1.2 The Committee shall be appointed by the Board of Directors of the Company (the “**Board**”) on the recommendation of the Nomination Committee and in consultation with the Chairman. The Committee shall comprise at least three members.
- 1.3 All the members of the Committee shall be independent Non-Executive Directors.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional three year periods, so long as (where applicable) members continue to be independent.

## 2. Secretary

The Company Secretary, or their Deputy, shall ordinarily act as the secretary of the Committee (the “**Secretary**”) and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

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<sup>1</sup> As amended on 24 July 2020

<sup>2</sup> As at 1 May 2020

### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two members of the Committee.
- 3.2 A duly convened and quorate meeting of the Committee shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **4. Frequency of meetings**

- 4.1 The Committee shall meet as frequently as the Chairman may require and also at regular intervals to deal with routine matters and, in any event, not less than twice in each financial year. Any member of the Committee may request a meeting via the Chairman if he/she considers that one is necessary or expedient.

### **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be called by the Chairman or by the Secretary at the request of the Chairman or any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and to other attendees as appropriate, no later than seven days before the date of the meeting. The Chairman shall have the sole discretion to reduce the above notice period to whatever the Chairman considers appropriate in the circumstances. So far as practicable supporting papers will be provided with the notice of meeting.

### **6. Proceedings of the Committee**

- 6.1 Only Committee members have the right to attend Committee meetings. However, the Committee may invite any Directors (including members of the Risk Committee and the Audit Committee) or Executives of the Company, including the Chief Executive Officer, the HR Director and any external advisers, to attend all or part of any meeting as and when appropriate or necessary.
- 6.2 An Executive will not attend when his or her own nomination or remuneration is being discussed.
- 6.3 Meetings may be held by telephone, or other electronic means, provided that those participating can hear and speak to each other.
- 6.4 Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chairman having a second, casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.

### **7. Minutes of meetings**

- 7.1 The Secretary shall minute the proceedings and decisions of all Committee meetings and record the name of those present and in attendance.

- 7.2 The members of the Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly.
- 7.3 Draft minutes of Committee meetings shall, following review by the Chairman, be circulated to all members of the Committee as soon as practicable after each meeting. Once approved, minutes shall be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairman.
- 7.4 Final signed copies of the minutes of the meetings of the Committee shall be maintained as part of the records of the Company.

## **8. Engagement with shareholders**

- 8.1 The Chairman shall attend the Annual General Meeting of the Company to respond to any shareholder questions of the Committee's activities and responsibilities. In addition, the Committee Chairman should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **9. Authority**

- 9.1 The Committee shall be provided with appropriate and timely training;
- 9.2 The Committee shall have access to sufficient resources to carry out its duties, including access to other Group functions for assistance as required. Accordingly, the Committee is authorised by the Board to:
- (A) undertake any activity within its terms of reference;
  - (B) call any Group employee or contractor to be questioned at a meeting of the Committee, as and when required;
  - (C) seek any information that it requires from any Group employee or contractor in order to perform its duties;
  - (D) select, appoint, retain, set the scope of work and terms of reference of and terminate the engagement of any remuneration consultants to be used to assist the evaluation of any Executives' remuneration or otherwise, including sole authority to approve the remuneration consultants' fees (within any budget restrictions imposed by the Board) and other engagement terms. Where remuneration consultants are appointed a statement shall be made available (and included in the annual report) indicating whether they have any other connection with the Company or individual directors;
  - (E) commission any reports or surveys which it deems necessary (within any budget restrictions imposed by the Board); and
  - (F) obtain, at the Company's expense, independent legal or other professional advice on any matters within its terms of reference and invite those persons to attend meetings of the Committee. Although the Committee may seek advice and assistance from any

of the Executives, it will ensure that this role is clearly separated from their role within the business.

## 10. Responsibilities

### Overview

- 10.1 The Committee has been delegated responsibility from the Board (subject to any directions from time to time given to the Committee by the Board) for the determination of the terms and conditions of employment and for setting the remuneration and benefits, including pension rights, of each of the Executive Directors, members of the Executive Committee, the Company Secretary and other Material Risk Takers (together, the “**Executives**”) and, should the Committee so wish, for reviewing and making recommendations regarding the terms and conditions of employment, remuneration and benefits, including pension rights, of other employees of the Group. The Committee has also been delegated responsibility from the Board, subject to any directions from time to time given to the Committee by the Board, for the determination of the terms and conditions of appointment, remuneration and benefits of the Chairman of the Board. The Committee exercises independent judgment on remuneration policies and practices and incentives. The Committee also has delegated responsibility from the Board (subject to any directions from time to time given to the Committee by the Board) for the determination of all aspects of share-based incentive arrangements.
- 10.2 No Director shall be involved in any decisions of the Committee as to their own remuneration.

### Policy

- 10.3 The Committee has been delegated responsibility from the Board to determine the policy for the remuneration of the Executives, including pension rights and any compensation payments. The Committee shall recommend and monitor the level and structure of remuneration for the Executives. In determining this policy, the Committee shall take into account all factors it deems necessary, including the provisions of the Prudential Regulation Authority’s Remuneration Code (the “**Remuneration Code**”).
- 10.4 In respect of the Directors of the Company, the Committee shall determine a "remuneration policy" that supports strategy and promotes long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful deliver of the company’s long-term strategy and which shall be subject to a shareholder vote at a general meeting of the Company in accordance with applicable law. All future remuneration for Directors must fall within this approved policy unless it is approved separately by shareholders or is covered at the time of payment by a revised policy approved by shareholders. This remuneration policy shall comply with all relevant requirements of the Remuneration Code
- 10.5 The Committee shall liaise with the Nomination Committee, and other board committees as necessary, in relation to the terms of any offer to be made to a new Director.
- 10.6 The Committee shall determine the policy for and scope of pension agreements, service agreements, termination payments and compensation commitments for the Executives. The

Committee shall ensure that contractual terms on termination are observed, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

10.7 The Committee shall establish remuneration schemes that promote long-term shareholding by executive directors that support alignment with long-term shareholder interests, with share awards subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

10.8 The Committee will agree the policy for authorising claims for expenses from the Directors.

Other

10.9 The Committee shall:

- (A) within the terms of the agreed policy and the requirements of the Remuneration Code determine and set on an annual basis the total individual remuneration package of each Executive, including salary, incentive payments (including annual bonus and long-term incentives), pension and other benefits in kind, and in doing so shall:
  - (i) determine an appropriate balance between fixed and performance related, immediate and deferred remuneration;
  - (ii) ensure that remuneration incentives are compatible with risk policies and systems;
  - (iii) weigh traditional share options schemes against other long-term incentive schemes;
  - (iv) consider whether Executive Directors should be required to hold a minimum number of shares for a further period after vesting of exercise, including for a period after leaving the Company;
  - (v) ensure that the remuneration policies and practices support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the Company's long-term strategy and that enables the use of discretion to override formulaic outcomes;
  - (vi) consider the requirements in the UK Corporate Governance Code for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- (B) approve the design of, and determine targets for, any performance-related pay schemes operated by the Company for Executives, including the application of relevant performance criteria and approve the total annual payments made under such schemes (in accordance with the provisions the **Code**);

- (C) determine, each year, whether awards will be made under the Company's share-based incentive plans and, if so, the overall amount of such awards, the individual award to Executives and the performance targets to be used. Such determination shall take account of dilution limits and headroom capacity within the relevant share-based incentive plans and the financial impact and, for Directors, take into account the requirement for any determinations not falling within the existing shareholder approved policy, to be subject to shareholder approval;
- (D) determine the clawback and malus arrangements (if any) in respect of any annual bonus or long-term incentive awards in accordance with the Remuneration Code so that:
  - (i) performance-related payments to Executive Directors reflect actual achievements against original targets; and
  - (ii) the Company can recover sums paid or withhold the payment of any sum in circumstances the Company considers appropriate to do so;
- (E) subject to any directions given by the Board to the Committee, review the design and implementation of all share-based incentive plans for approval by the Board and, where required, all new long-term incentive schemes (as defined in Listing Rule 26) and significant changes to existing schemes shall be put to shareholders for approval, save in the circumstances permitted by the Listing Rules;
- (F) review and note the remuneration of senior employees within the risk and compliance functions annually;
- (G) be aware of, and oversee any major changes in, employee benefit structures throughout the Company or Group;
- (H) review and note the views given by shareholders and the results of the shareholder votes on Executive pay;
- (I) obtain reliable, up-to-date information about remuneration in other comparable companies and market practice generally;
- (J) review annually a summary of the Committee's consultants' fees for the year and the consultants' policy and procedures on dealing with potential conflicts of interest to ensure it is satisfied with them; and
- (K) review its terms of reference on an annual basis and recommend any changes it considers necessary to the Board for approval.

**10.10** In determining remuneration packages and arrangements, the Remuneration Committee shall give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of Directors of listed and non-listed companies and formation and operation of share schemes including but not limited to:

- (A) the provisions of the Remuneration Code;

- (B) relevant provisions of the Prudential Regulation Authority Rulebook and the Financial Conduct Authority Handbook;
- (C) the provisions of the Code;
- (D) the requirements of the UK Listing Authority's Listing Rules and Disclosure and Transparency Rules and associated guidance including the IA Principles of Remuneration;
- (E) guidelines published by the Investment Association and the Pensions and Lifetime Savings Association;
- (F) relevant guidance issued by the Basel Committee on Banking Standards and the International Organisation of Securities Commissions;
- (G) regulatory requirements including any applicable rules and guidance issued by regulatory bodies.

**10.11** In determining remuneration packages and arrangements, including the performance criteria for performance-related plans, the Committee shall have particular regard to any concerns raised by the Board on the implications of the remuneration policy for risk and risk management and take account of the Risk Committee's annual review of risk appetite for the Company.

## **11. Reporting responsibilities**

- 11.1** The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities including recommendations and actions to be taken.
- 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 all provisions regarding disclosure of remuneration, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 and the Code, are fulfilled.
- 11.4** The Committee shall ensure that all remuneration record-keeping and disclosure requirements set out in the Remuneration Code and the Capital Requirements Regulations are fulfilled.
- 11.5** The Committee shall review and approve the Directors' remuneration policy, annual report on remuneration and any related reports or statements by the Chairman included in the Company's Annual Report and Accounts. The Committee shall satisfy itself that all requirements under applicable law for binding or advisory votes of shareholders on remuneration related matters are met. The Committee shall satisfy itself that the contents of the Directors' remuneration policy and annual report on remuneration and other remuneration related reports comply with the requirements of and contain the information required by applicable law.

## **12. Other matters**

- 12.1** The Committee shall, through either the Chairman of the Board or the Chairman of the Committee, ensure that the Company maintains contact as required with its principal shareholders about remuneration.
- 12.2** The Committee shall be provided with appropriate and timely support, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 12.3** The Committee shall arrange for periodic reviews of its performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

These terms of reference shall be made available on the Company's website in accordance with the Code.