

# FAMILY BUILDING SOCIETY REMUNERATION POLICY

## Introduction

As a dual regulated building society, Family Building Society is required to comply with the “dual regulated firms Remuneration Code” (SYSC 19D). The aim of the Code is to ensure that remuneration practices are consistent with and promote effective risk management and do not expose the Society to excessive risk.

The Code covers all aspects of remuneration including salary, bonuses, medium and long term incentive plans, hiring bonuses and severance and pension arrangements.

The Code relates specifically to all staff who are deemed by the Society and in accordance with Regulation (EU) 604/2014 <https://publications.europa.eu/en/publication-detail/-/publication/4c81143c-d376-4d1d-a9dc-67a7e02a22c1/language-en> to be “material risk takers”. These are:

- Members of the Executive management team (Chief Executive, Finance Director, Group Secretary, Chief Operating Officer, Chief Risk Officer and Director of Business Development).
- The Directors who have responsibility for specific risk categories such as liquidity or control functions or who are members of the Asset and Liability Committee or the Executive Group Risk Committee (Director of Financial Development, Director of Treasury and the Money Laundering Risk Officer).

## OBJECTIVES

The Society is owned by its members and the primary objective of the Society is to operate for their financial benefit and not for the disproportionate financial benefit of any of its employees. However, members accept that employees should be fairly rewarded for their efforts.

The aim of the Society’s Remuneration Policy is therefore to achieve a fair level of financial reward for the Society’s staff whilst ensuring primacy of members’ interests and avoiding incentives to take inappropriate levels of risk.

The specific objectives of the Society’s Remuneration Policy are:

- To attract and retain staff with the appropriate skills, attitude and motivation.
- To reward staff fairly, paying due regard to the statutory duties of equality and non-discrimination.
- To benchmark salaries and benefits against prevailing industry/role norms.
- To take account of prevailing economic and employment trends.
- To prevent inappropriate risk-taking with the potential to damage the interests of the Society’s stakeholders and the viability of the business.
- To encourage learning and personal development.
- To reward imagination, endeavour, commitment, team work and loyalty.
- To recognise and encourage high standards of performance.
- To promote the acquisition of new skills.
- To encourage adaptability and flexibility.
- To compete successfully with other employers for high calibre staff.

- To promote a healthy work/life balance, to include part-time working opportunities, flexible hours and assistance to those with caring responsibilities.
- To maintain an effective and supportive package of benefits which reflects the Society's commitment to fair treatment and which promotes its mutual ethics and values.

## Principles

The Society's remuneration practices take into account the following principles:

1. Risk Management: all packages and incentive programmes are critically reviewed to ensure that they do not expose the Society to risk and that they are consistent with our risk tolerances. Where appropriate deferment and claw-back clauses are used to take account of future risks. (FCA Principles 1, 5 and 8)
2. Supporting the Society's strategy, values and long term interests: variable pay schemes are devised with explicit reference to the Society's values and those relating to new business are devised to include qualitative measures and recognise sustainable business. (FCA Principle 2 and 3)
3. Governance: all remuneration policies and specific remuneration schemes are regularly reviewed by the Remuneration Committee or the Executive Committee. (FCA Principle 4). Although, not required under the Remuneration Code, the Remuneration Committee also reviews the salaries and bonuses of all Directors not covered by the Remuneration Code (above) on an annual basis.
4. Affordability: the Society recognises its primary interest is in promoting the interests of its members. Remuneration is controlled in such a way that the capital base of the Society is not put at risk. (FCA Principle 6)
5. Pension benefits are standard across all staff. Benefits paid are controlled through an independent board of pension trustees in accordance with the rules of the pension scheme. (FCA Principle 9)
6. The Society seeks to ensure that its remuneration is structured so that all staff are paid a competitive market salary and that all variable pay schemes are additional, proportionate, discretionary and based on the performance of both the individual and the Society. (FCA Principle 12 a-h)
7. The Society does not have the ability to pay any remuneration using shares or other financial instruments. Therefore, it has deemed that FCA Principles 7,10,11 and 12(f) do not apply.

## REWARD SYSTEMS

The remuneration of staff will normally comprise the following components.

### Basic salary

Basic salary is determined at recruitment by reference to the demands of the role, taking into account the qualifications, experience, skills and personal attributes of the candidate, and of the salaries paid to immediate colleagues and to people in comparable roles, internally and externally. Basic salary is reviewed on an annual basis by the Executives taking account of market forces and the prevailing economic environment.

### Benefits

The contract of employment will set out the key benefits available. These may include: holiday entitlement, sickness absence payment, pension scheme membership and private health insurance.

## Staff Performance Related Pay (PRP) Scheme

From time to time a Staff PRP scheme may be introduced, subject to Board consideration and approval. The construction of any such scheme will take into account the requirements of the FCA/PRA's Remuneration Code. The scheme will be based on the attainment of corporate targets as determined appropriate for the relevant financial year by reference to the Corporate Plan. The resultant bonus pool, if any, will be distributed to staff in the following March on the basis of individual performance, as assessed by means of the Staff Appraisal System. The outcomes will be reviewed by the Executive Directors to remove any inappropriate bias.

## Medium Term Executive Performance Related Pay (PRP) Scheme

From time to time an Executive PRP Scheme may be introduced, subject to Remuneration Committee consideration and Board approval. The construct of any such scheme will take into account the requirements of the FCA/PRA's Remuneration Code, including, where appropriate, provision for payment deferral and performance adjustment.

## Living Wage

It is the Society's policy to pay the Living Wage to all employees of the Society.

## Oversight

Responsibility for policy oversight and implementation will reside with the Remuneration Committee in respect of the remuneration of the Executive Directors and the Directors. The Terms of Reference of the Remuneration Committee are published on the Society's website. They include Board authorisation to select and appoint external remuneration consultants at intervals as deemed appropriate.

Responsibility for policy oversight and implementation will reside with the Executive Directors in respect of the remuneration of the Non-Executive Directors.

Responsibility for policy oversight and implementation in respect of the remuneration of all other employees will reside with the Executive Directors, with Board approval being required for the budgets for the annual cost of living review (if any) of staff salaries and for other performance based annual awards. Any significant changes in staff benefits will also be reviewed and agreed by the Board, as will the introduction and construction of any staff and executive performance related pay schemes that may be deemed appropriate from time to time.

## Breaches

The Society is required to report any significant breaches of the Remuneration Code to the regulators. They must also report where proposed remuneration policies may impact the Society's reputation, its risk profile or resources, or its ability to provide services for its members or where an aspect of its remuneration policy may have caused fraud or irregular behaviour.

## Review

This policy will be reviewed on an annual basis by the Remuneration Committee.