

# THE CO-OPERATIVE BANK PLC

## REMUNERATION COMMITTEE

### Terms of Reference

#### 1. CONSTITUTION

- 1.1 The Remuneration Committee (the “**Committee**”) terms of reference of The Co-operative Bank p.l.c. (the “**Bank**”) were approved by the board of directors of the Bank (the ‘**Board**’) on 28 July 2025.

The Committee’s responsibilities are discharged on behalf of the Bank and its subsidiaries (as appropriate). The Bank and its subsidiaries are wholly owned by The Co-operative Bank Finance p.l.c. (the “**Parent**”) which is wholly owned by The Co-operative Bank Holdings p.l.c. which is in turn wholly owned by Coventry Building Society (the “**Society**”, together with its subsidiaries, the “**Group**”).

- 1.2 The purpose of the Committee is to:

- 1.2.1 review and recommend to the Board, remuneration policies which maintain the link between remuneration, including variable pay, and the achievement of the objectives of the Bank and its subsidiary undertakings;
- 1.2.2 support the Board in ensuring that the remuneration policies are consistent with and promote sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk of the Bank;
- 1.2.3 Prepare decisions regarding remuneration (including those which have implications for risk and risk management of the Bank) to be taken by the Board – where necessary, by working with the Risk Committee of the Board on risk adjustments; and
- 1.2.4 Operate within the defined regulatory framework, taking into consideration the long-term interests of all stakeholders in the Bank as well as the public interest.

#### 2. MEMBERSHIP

- 2.1 The chair of the Committee (the ‘**Chair**’) shall be an independent non-executive director, who has served at least 12 months on a remuneration committee, appointed by the Bank Board and with the support of the Group Board and shall not be the Chair of the Board.
- 2.2 In the absence of the Chair (and/or an appointed alternate member), the members present at any meeting of the Committee shall elect one of their number to chair the meeting.
- 2.3 The members and Chair shall be appointed by the Board on the recommendation of the Values & Ethics and Nomination Committee and in alignment with the position set by the Group Board. The members shall comprise three Independent non-executive directors, including the Chair, and

a member of the Risk Committee of the Board. The Chair of the Board may serve on the Committee if considered independent on appointment as Chair of the Board, but shall not be present at any discussion by the Committee relating to their fees.

2.4 Each member of the Committee shall disclose to the Committee:

2.4.1 any personal financial interest in any matter to be decided by the Committee; or

2.4.2 any potential conflict of interest arising from a cross directorship outside of the Group. Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Committee.

2.5 Appointments to the Committee shall be for a term of three years, extendable by no more than two additional three year terms, provided the director still meets the criteria for membership of the Committee.

### 3. SECRETARY

3.1 The Company Secretary of the Bank, or an alternate selected by the Chair, shall act as the secretary of the Committee (the '**Secretary**').

3.2 The Secretary should ensure that the Committee receives information and papers in a timely manner to support full consideration of the issues, the agenda having been agreed by the Chair in advance.

### 4. QUORUM AND VOTING

4.1 The quorum necessary for the transaction of business shall be two members, one of whom must be the Chair or appointed deputy, present throughout the meeting.

4.2 In the event of an equality of votes, the Chair shall have a casting vote.

4.3 A member may be present for the purpose of paragraph 4.1 in person, by telephone, by videoconference or by other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. 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.

4.4 In alignment with the Articles (resolutions without meetings), a resolution which is signed or approved by all the directors entitled to vote (members of the Committee) on that resolution (and whose vote would have been counted) shall be as valid and effectual as if it had been passed at a meeting duly called and constituted.

## **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee may be convened at any time by the Chair, the chair of the Board or upon the recommendation of the Chief Executive Officer of the Bank, or on the reasonable request of any Committee member who considers it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting of the Committee confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded to each member of the Committee and to each other person invited to attend, in a timely manner to enable full and proper consideration of issues.

## **6. ATTENDANCE AT MEETINGS**

- 6.1 Only the Chair and Committee members shall have the right to attend and vote at meetings of the Committee. However, other executive and non-executive directors of the Bank Board or the Group Board, external advisors and representatives from relevant business functions of the Bank may be invited to attend all or part of any meeting as and when appropriate.
- 6.2 The Chief Risk Officer of the Bank will be required to attend at least one meeting per annum for the purpose of providing advice to the Committee on risk adjustments to be applied to performance objectives and targets and in connection with the risks arising from remuneration policies.
- 6.3 The Chair of the Board to the extent not already a member of the Committee and/or the Chief Executive Officer of the Bank may be invited by the Committee to attend meetings to discuss the performance of other executives and to make proposals as necessary.
- 6.4 The Chair may consult the other non-executive directors in the Committee's evaluation of the Chief Executive Officer in the context of their role as Chief Executive Officer of the Bank.
- 6.5 No director, executive or senior manager shall be present at any meeting of the Committee when their own remuneration is being discussed.

## **7. FREQUENCY OF MEETINGS**

Meetings shall be held no fewer than three times a year. Meetings can be convened at any other time where circumstances require, in accordance with paragraph 5.1.

## **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 all members of the Committee.
- 8.3 Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chair.

## **9. RESPONSIBILITIES**

The Committee should carry out the duties below for the Bank and major subsidiary undertakings, taken individually and together with the Bank as a whole, as appropriate:

## 9.1 **Remuneration Policy**

### *Policy and contractual terms*

- 9.1.1 Set and recommend to the Board, the overarching principles and parameters of a remuneration policy (such policy, the '**Remuneration Policy**') across the Bank to ensure an overall coherent approach to remuneration in respect of all executives and employees including ensuring that the Remuneration Policy and the appraisal process for executives and employees is clear and documented.
- 9.1.2 Ensure that all relevant legislation, regulatory requirements and guidance on remuneration practice published from time to time, are considered and complied with when setting the Remuneration Policy (including applicable terms of the Companies Act 2006).
- 9.1.3 Support the Chair in overseeing the development and implementation of the Bank's Remuneration Policy and supporting practices in accordance with SYSC 19D (the '**Remuneration Code**').
- 9.1.4 The Remuneration Policy should:
  - (1) include measures to avoid conflicts of interest;
  - (2) not encourage risk taking that exceeds the level of tolerated risk of the Bank;
  - (3) include a clear, verifiable mechanism for measuring performance with any risk adjustment applied in a clear and transparent manner;
  - (4) have regard to the risk appetite of the Bank, whilst being consistent with effective risk management principles;
  - (5) be aligned to the Bank's long term strategic and commercial goals;
  - (6) when determining executive director remuneration policy and practices, consider clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture; and
  - (7) comply with relevant applicable legislation.
- 9.1.5 Centrally and independently review at least annually the ongoing appropriateness and relevance of the Remuneration Policy and exercise its judgement in the application of the remuneration framework and policies to promote the long term success of the Bank.

### *Salary*

- 9.1.6 Determine the policy for reviewing and setting salary levels, including the policy on using external advisors and data.

### *Benefits*

- 9.1.7 Advise on major changes in employee benefit structures that apply to all employees of the Bank.

### *Pension*

- 9.1.8 Set the principles of the policy for pension arrangements for all employees of the Bank, including the type of pension scheme offered.

### ***‘Material Risk Takers’***

- 9.1.9 Review and agree the remuneration policy and decisions relating to remuneration, including variable pay, performance related payments and pension arrangements, for any employees, present and prospective, in senior management roles, risk takers and staff in control functions, who are included on the Bank's register of Prudential Regulation Authority/Financial Conduct Authority Remuneration Code staff (**‘Material Risk Takers’** / **‘MRTs’**).
- 9.1.10 Seek advice from the Bank's Risk Committee and Chief Risk Officer (by way of an annual report from the Chief Risk Officer) on the risks arising from the remuneration policies for the purpose of the ICAAP and other regulatory matters and specific risk adjustments to be applied to performance objectives of any Material Risk Takers (**‘MRTs’**), set in the context of incentive packages; in the event of any difference of view between the two Committees, the matter shall be referred to the chair of the Board and the non-executive directors.
- 9.1.11 Review and approve the approach to identification of MRTs and list of MRTs (including any exclusions).
- 9.1.12 Ensure any policy for performance-related remuneration for MRTs includes provisions that would enable the Bank to recover sums paid or withhold the payment of any sum (i.e. clawback, deferral and malus assessments and arrangements), and specify the circumstances in which it would be appropriate to do so in line with legal and regulatory requirements.

### **9.2 Executive Directors, Executive Committee members and Senior Management Function role holders (each as appointed at the level of the Bank and with respect to his or her role at the Bank) (the ‘Executive’)**

Having regard to the overarching principles and parameters of the Remuneration Policy:

#### *Policy and contractual terms*

- 9.2.1 Set and recommend to the Board for approval a policy for the remuneration of any director of the company appointed to any executive office, in alignment with the approach set by the Group Board and, without prejudice to any existing contractual terms and subject to regulatory restrictions, the individual remuneration of directors with executive office.
- 9.2.2 Establish, implement and maintain the Bank's policy on all aspects of the remuneration of the Executive present and prospective, in alignment with the approach set out by the Group Board, including pension rights and any compensation payments. Have regard to pay and employment conditions of employees across the Bank, especially when determining annual salary increases and ensure that all relevant legislation and regulatory requirements (including applicable terms of the Companies Act 2006) are considered and complied with when setting the Remuneration Policy.
- 9.2.3 Review at least annually the on-going appropriateness and relevance of the Remuneration Policy.
- 9.2.4 Oversee contractual arrangements and approve the principal terms and conditions of employment for the Executive.
- 9.2.5 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Bank, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 9.2.6 Within the terms of the Remuneration Policy and subject always to the approvals and consents required by the Articles, in consultation with the Chair of the Board and/or the Chief Executive Officer of the Bank, as appropriate, determine the total individual remuneration package of each Executive and the Chair of the Bank Board, in alignment with the approach set by the Group Board, including bonuses, incentive arrangements, pension rights and any compensation payments. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company and individual performance, and wider circumstances.
- 9.2.7 Ensure that the remuneration of each Executive (including any payments for loss of office) is consistent with the Remuneration Policy.
- 9.2.8 Consider and approve the buyouts of forfeited rights for any new appointments.

#### *Salary*

- 9.2.9 Review salaries, normally at the start of the Bank's financial year, which may include reference to comparisons against the market. The Committee will take into account recommendations from the Chief Executive Officer of the Bank

in respect of individuals, based on job role, market comparisons, contribution and performance.

- 9.2.10 Review salaries at times other than the annual review, should it be necessary, e.g. on appointment, on promotion or if there is a significant change in job role.

#### *Benefits*

- 9.2.11 Advise on any major changes in employee benefit structures throughout the Bank or its subsidiaries which relate to the Executive.

#### *Pension*

- 9.2.12 Receive, review and decide on issues raised in respect of the Co-operative Pension Scheme (Pace) and any other retirement benefit schemes in respect of which the Bank is a participating employer or guarantor that affect or have implications for levels of remuneration and Remuneration Policy and advise the Board (and the Group Board) of them as appropriate.

#### *Expenses*

- 9.2.13 Agree the policy for authorising claims for expenses from the Executive and Non-Executive Directors.

### **9.3 Incentive arrangements – annual and long term**

- 9.3.1 Review the policy for all incentive plans as determined by the Group Remuneration Committee for approval by the Board in accordance with the agreed Remuneration Policy and taking into account recommendations made by the Group Chief People Officer, with a view to ensuring that employees and the Executive are provided with appropriate incentives.
- 9.3.2 Consider and review the terms and rules of any new incentive plans including the over-arching approach to measuring performance for any performance related plans.
- 9.3.3 Approve any amendments to all incentive plans as determined by the Group Remuneration Committee.
- 9.3.4 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 be made and set appropriate performance targets in alignment with the Group Remuneration Committee.
- 9.3.5 Ensure that appropriate consideration has been taken for risk matters and relevant events that have occurred both in year and in prior years (as identified through the risk adjustment process outlined in 10.3.10 (1) and (3)) and may lead to Ex-Ante or Ex-Post adjustments.

- 9.3.6 Ensure that targets are based on appropriate qualitative and quantitative criteria, and an appropriate balance between fixed and variable remuneration is maintained.
- 9.3.7 Authorise payments under incentive plans, subject to the achievement of performance and balanced scorecard metrics, and relevant underpin as applicable, and in accordance with the rules of the plan in alignment with the Group Remuneration Committee.
- 9.3.8 Authorise the application of the malus and clawback policy in relation to specific individual adjustments that may be agreed through the risk adjustment review process.

*Incentive arrangements of the Executive & Material Risk Takers*

- 9.3.9 Provide input and review the design, performance measures and associated targets for any performance related pay schemes operated by the Bank in respect of the Executive and MRTs and review individuals' performance against those targets and agree any payments proposed.
- 9.3.10 Consider not less than annually whether or not it is necessary to apply malus and/or clawback in relation to the performance related pay schemes and include a description of its malus and clawback provisions in the annual report.
- 9.3.11 Seek advice and input from:
- (1) the Bank's Risk Committee and Chief Risk Officer (by way of an annual report from the Chief Risk Officer) on the risks arising from the remuneration policies for the purpose of the ICAAP and other regulatory matters and on specific risk adjustments to be applied to performance targets of the Chief Executive Officer, Executive Directors and the members of the Bank Executive Committee, set in the context of incentive packages; in the event of any difference of view between the two Committees, the matter shall be referred to the Group Board;
  - (2) In the case of the Bank's Chief Risk Officer and the Group Chief Internal Auditor, the Chairs of the Bank Risk Committee and the Bank Joint Audit Committee, respectively, on their performance ratings prior to consideration by the Committee;
  - (3) the Bank's Joint Audit Committee and Group Chief Internal Auditor, via an agreed method, on audit matters that may have an impact on variable remuneration; and
  - (4) the Bank's Risk Adjustment Forum ("**RAF**"), recommending any specific adjustments to be applied to the overall bonus pool or individual Executives or MRTs following investigation into specific risk events.



## 10. REPORTING RESPONSIBILITIES

- 10.1 The Chair shall report on Committee business to the Board after each meeting with such recommendations as the Committee may deem appropriate.
- 10.2 The Committee shall ensure that:
- (1) the applicable provisions regarding disclosure of information, including pensions, as set out in the Companies Act 2006, the Disclosure and Transparency Rules (“**DTR**”), the Listing Rules of the Financial Conduct Authority, other relevant regulations and best practice are satisfied to the extent possible to be included in the Bank's annual report and accounts;
  - (2) details of how the Committee discharged its duties are incorporated into the Bank's annual report and accounts, including a description of the significant issues considered by the Committee;
  - (3) ensure that the disclosure of remuneration, both internally, and externally within the Bank's Pillar 3 Disclosures, to the extent that any such disclosures are made, follows the Prudential Regulation Authority's rules regarding remuneration disclosure including the guidelines on remuneration rules for high earners; and
  - (4) appropriate remuneration disclosures are made in accordance with regulatory requirements on the Bank's website.
- 10.3 If the Committee has appointed remuneration consultants, the annual report should identify such consultants and state whether they have any other connection with the Bank.
- 10.4 Consider and approve all submissions to the Prudential Regulation Authority/Financial Conduct Authority, including the annual statement on the Bank's Remuneration Policy.
- 10.5 Consider the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and publish and report specific data about the Bank's gender pay gap on an annual basis, in accordance with regulatory guidance.
- 10.6 Through the Chair, ensure that the Bank maintains contact and seeks approvals as required in accordance with the Articles and from the Group about remuneration.
- 10.7 The minutes of meetings shall be provided to the Non-Executive Directors of the Bank.
- 10.8 Consider other disclosures, documents or topics, as determined by the Board and other subsidiaries from time to time.

## 11. OTHER MATTERS

The Committee shall:

- 11.1 Assist the Senior Management Function (“**SMF**”) role holders of the Bank in fulfilling their prescribed responsibilities.

- 11.2 Where matters are being discussed in relation to a prescribed responsibility, ensure the relevant SMF role holder attends and participates in the discussion, or if unable to attend, ensure that they are suitably represented.
- 11.3 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 11.4 Give due consideration to applicable laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes as appropriate.
- 11.5 Consider how the matters for which it is responsible could impact customers, including creating good customer outcomes and mitigating customer harm, in line with the Consumer Duty Regulations.
- 11.6 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.
- 11.7 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 member(s) of the Bank for approval.
- 11.8 Work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly.
- 11.9 Ensure these terms of reference are published on the Bank's website.

## **12. AUTHORITY**

- 12.1 The Committee is authorised by the Board to investigate any activity within its terms of reference and seek information that it requires from any employees of the Bank, all of whom are directed to co-operate with any request made by the Committee.
- 12.2 The Committee shall have authority, in alignment with the approach set by the Group Board, to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, and to obtain inside or outside legal or other professional advice, at the expense of the Bank but within any budgetary restraints imposed by the Board.
- 12.3 The Committee shall have the authority to use external advisers to ensure practice is in line with the market, with regulatory and legal guidance as appropriate. The Committee shall have the authority to appoint consultants in respect of Executive Director remuneration and shall consider how such advice is independent and objective.
- 12.4 The Committee is connected with the business of the whole of the Group and accordingly it shall liaise with the Group as appropriate.
- 12.5 Subject to the Articles, the Committee may delegate its powers and authority as it sees fit, including without limitation the establishment of a sub-committee to consider particular issues and report back to the Committee.