
THFC Group Remuneration and Nomination Committee Terms of Reference

1 Constitution

For the purposes of this document, reference to The Housing Finance Corporation Limited ("THFC") includes the equivalent functions for all its subsidiary companies, together known as the "Group" and the Committee is empowered to act for the Group.

2 Membership

Committee members shall be appointed by the Board of THFC and shall comprise a minimum of four non-executive directors of THFC. A majority of members of the committee shall be independent non-executive directors. The Board shall appoint one of the non-executive directors as the Remuneration Committee Chair.

Mr Tony King has been appointed Chair of the Committee.

3 Meetings

The Committee shall meet at least annually, and otherwise as required.

Meetings may be held virtually with the approval of the Chair.

4 Quorum

As a minimum, two non-executive members of the Committee present at a meeting shall constitute a quorum.

A member may attend (and be deemed present at) a meeting by telephone or any other electronic device.

If the Committee Chair is unable to attend, one of the other non-executive directors shall be appointed Chair of the meeting.

5 Attendance at meetings

The Chief Executive and other Executive Directors may attend meetings by invitation.

6 Responsibilities

The Remuneration and Nomination Committee is a committee of the Board, chaired by a member of the Board, and is responsible for:

Remuneration

- a. Approving the remuneration of the Chief Executive (non-routine changes to terms and conditions reserved for the Board) and Executive Directors.
- b. Overseeing the appraisal of the Chief Executive. The Committee shall also receive a report from the Chief Executive highlighting any significant issues arising from the appraisal of Executive Directors.

Reviewing, approving, making recommendations, where appropriate, relating to staff remuneration, terms and conditions for THFC and any subsidiary companies employing staff. The Committee shall ensure that any required staff consultation on employment matters has been undertaken and considered as part of the decision-making process.

- c. Reviewing and approving the proposal for the annual staff pay and bonus award and any external benchmarking exercise of pay and benefits and recommending outcomes from these reviews to the Board for approval.
- d. Reviewing and approving significant changes to human resources strategy, policies and exceptional salary issues.

- e. Reviewing and agreeing any proposals in relation to the Group's pension scheme including any deficit reduction exercise. Proposals in relation to a deficit reduction exercise to be recommended to the Board.

Nomination

- f. Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and making recommendations to the board with regard to any changes.
- g. Ensuring plans are in place for orderly succession to board and senior management positions and overseeing the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future.
- h. Identifying and nominating candidates to fill board vacancies as and when they arise, for approval by the Board.
- i. Before any appointment is made by the Board, evaluating the balance of skills, knowledge, experience and diversity on the board and in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment and the time commitment expected.

In identifying suitable candidates, the Committee shall:

- i) Use open advertising or the services of external advisers to facilitate the search.
- ii) Consider candidates from a wide range of backgrounds.
- iii) Consider candidates on merit and against objective criteria, having due regard to the benefits of diversity on the board and taking care that appointees have enough time to devote to the position.
- j. Ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.
- k. Reviewing the results of the board performance evaluation process that relate to the composition of the board and succession planning.
- l. Overseeing, reviewing and, where appropriate, making recommendations with respect to the Group's Diversity, Equity and Inclusion Strategy.
- m. Any other relevant matters requested by the Board.

7 Authorities

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

8 Recommendations to the Board

The Committee is required by the Board to consider and make recommendations on the following:

Remuneration

- a. The remuneration of non-executive directors within the Group.
- b. Approval of the annual Staff Pay Award proposal.
- c. Approval of the Bonus Award proposal.
- d. Approval of proposals made by external benchmarking exercises of pay and benefits.

Nominations

- e. Suitable candidates as new directors and succession planning for existing directors.
- f. The appointment of any director to executive or other office.
- g. Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.
- h. Membership of the board committees, in consultation with the chair of those committees.
- i. The re-election by shareholders of directors under the retirement by rotation provisions in THFC's rules, having due regard to their performance and ability, and why their contribution is important to THFC's long-term sustainable success.
- j. When recommending re-election of directors for approval by members, the Committee shall consider directors' contributions in the light of the skills, experience and knowledge required by the Board and the need for progressive refreshing of the board, taking into account the length of service of individual directors, the Chair and the Board as whole.
- k. Any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company, subject to the provisions of the law and their service contract.

8 Reporting responsibilities

The Committee shall:

- a. Report to the Board after each meeting on the nature, content of its discussion, recommendations and action to be taken.

Committee minutes shall be presented to the Board and the Chair of the Committee shall present any issues arising of which the Board should be made aware.

- b. Produce a report to be included in the company's annual report describing the work of the Remuneration and Nomination Committee in line with the UK Corporate Governance Code, insofar as it is appropriate and practicable for the size and nature of THFC.

9 Matters reserved for the Board

The Board reserves powers in relation to:

- a. Proposed offers to deferred pensioners in connection with deficit reduction exercises.

8 Annual review

The Committee is required to review annually its terms of reference and its own effectiveness and to recommend any necessary changes to the Board.

These terms of reference were last approved by the Board on 27 July 2023.

Julie Coetzee
Company Secretary
27 July 2023