

UNITY TRUST BANK PLC (“the Bank”)

REMUNERATION COMMITTEE

Terms of Reference

1. Constitution

The Remuneration Committee (the Committee) was established by a resolution of the Board of Unity Trust Bank plc (the Bank) on 21 May 2015. The Terms of Reference were last revised and approved by the Board on 23 March 2016.

2. Membership

2.1 The Committee shall consist of four Non-Executive Directors, who shall include at least one Director determined by the Board to be independent on appointment.

2.2 The membership of the Committee shall be reviewed by the Chair on an annual basis.

2.3 The Board shall appoint the Committee Chair who shall be a director determined by the Board to be independent on appointment. In the absence of the Committee Chair, the Committee members present shall appoint one of themselves to chair the meeting. In the absence of an independent director, the Committee may co-opt one of the directors determined by the Board to be independent on appointment.

3. Quorum

The quorum shall be two members, one of whom must be a director determined to be independent on appointment.

4. Attendance at the Meetings

4.1 No one other than the Committee Chair and its members shall be entitled to attend meetings of the Committee, unless at the invitation of the Chair.

4.2 The Secretary of the Bank shall be the Secretary to the Committee. The Secretary shall circulate the minutes of the meeting to all members of the Board, unless it would be inappropriate to do so.

5. Frequency

The committee shall meet twice a year or more frequently if circumstances require.

6. Authority

The Committee is authorised to use any forms of resources it deems appropriate, including external legal or other professional advice on any matters within its Terms of Reference at the Bank’s expense, within any budgetary restraints imposed by the Board.

7. Responsibilities

The responsibilities of the Committee are set out below.

The Committee shall:

Policy

- 7.1 recommend to the Board the over arching principles and parameters of remuneration policy on a Bank-wide basis aligned to the Bank's business and risk strategies and risk appetite and review annually, taking into consideration the Bank's commitments, including as a Living Wage employer.
- 7.2 when setting remuneration policy for directors, review and have regard to pay and employment conditions across the Bank, especially when determining annual salary increases.

Bank-wide

- 7.3 recommend to the Board the scope, rules and targets for any performance-related pay schemes operated by the Bank.
- 7.4 satisfy itself as to the accuracy of performance measures that govern performance related incentives.
- 7.5 ensure that remuneration structures and incentive payouts are adjusted for risks.
- 7.6 keep under review the profit sharing scheme and determine the level of funds available for distribution under the scheme taking into consideration the Distribution Policy guidelines.
- 7.7 review and approve the Remuneration Code Statement required by the FCA annually.
- 7.8 ensure that conflicts of interest are identified and resolved in the determination of remuneration.

Information and Consultants

- 7.9 obtain reliable, up-to-date information about remuneration in other companies on a periodic basis. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants within any budgetary restraints imposed by the Board.
- 7.10 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

Remuneration of Specified Individuals

- 7.11 recommend to the Board the remuneration arrangements of the Chief Executive, the Chair of the Bank and Independent Directors.
- 7.12 determine the remuneration for the Chief Executive's direct reports.
- 7.13 no Chair, Director or Manager shall be involved in any decisions as to their

own remuneration.

- 7.14 determine the policy for and scope of pension arrangements for each Executive Director and all staff of the Bank, within the rules of the Co-operative Group Pensions (Average Career Earnings) Scheme.
- 7.15 receive the Performance Reviews of the Executives and recommend the remuneration of the directors to the Board.
- 7.16 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.
- 7.17 in determining such packages and arrangements, give due regard to the contents of the UK Corporate Governance Code (the Code).

8. **Other Matters**

- 8.1 Committee members shall 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.
- 8.2 The Committee shall 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 board for approval.
- 8.3 The Committee Chair should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.
- 8.4 As recommended by the Walker Review, the Chair of the Committee will be required to stand for re-election in the following year in the event that the Directors' Remuneration Report attracts less than 75% vote at the AGM.

9. **Reporting responsibilities**

The committee shall:

- 9.1 ensure that disclosure of remuneration, including pensions is included in the Annual Report.
- 9.2 the Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.3 make whatever recommendations to the Board it deems appropriate to any area within its remit where action or improvement is needed.
- 9.4 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.