



The Housing Finance Corporation

Remuneration and Nomination Committee Terms of Reference

1. CONSTITUTION

For the purposes of this document, reference to The Housing Finance Corporation Limited 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 The Housing Finance Corporation and shall comprise a minimum of three members, all of whom should be independent non-executive directors.

The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

The Chair of the Board shall not chair the committee when it is dealing with the matter of succession of the Chair of the Board.

3. MEETINGS

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

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

4. QUORUM

As a minimum, two 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.

5. ATTENDANCE AT MEETINGS



The Housing Finance Corporation

Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chief Executive Officer, the Senior Director of People and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

6. DECISIONS BY WRITTEN RESOLUTION

There may be matters arising between scheduled meetings of the Committee for which an immediate decision of the Committee is required. A resolution sent electronically to all Committee members and approved electronically by three-quarters of the Committee members shall be as valid and effective as if it had been passed at a properly called and constituted meeting of the Committee. Such a resolution may comprise of one or more documents in the same form, each confirmed electronically by one or more Committee members. The resolution shall become effective on the date that the approval requirement is met.

Any member of the Committee may ask that the proposal be referred to a full meeting of the Committee, in which case a decision by written resolution will not be permitted. Similarly, in the event that any Committee member responds not supporting the proposal, it shall be referred to a full meeting of the Committee for consideration.

7. RESPONSIBILITIES

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

7.1. 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.
- C. Reviewing, approving, making recommendations, where appropriate, relating to staff remuneration, terms and conditions for The Housing Finance Corporation 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.
- D. Designing remuneration policies and practices to support strategy and promote long term sustainable success, with executive remuneration aligned to company purpose and values,



The Housing Finance Corporation

clearly linked to the successful delivery of the company's long-term strategy, and that enable the use of discretion to override formulaic outcomes.

- E. When determining executive director remuneration policy and practices, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- F. No director or senior manager shall be involved in any decisions as to their own remuneration outcome.
- G. In determining remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary.
- H. Within the terms of the agreed policy and in consultation with the chair and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director, the company chair and senior managers including bonuses, incentive 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.
- I. 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.
- J. Reviewing and approving significant changes to human resources strategy, policies and exceptional salary issues.
- K. 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.
- L. Review the ongoing appropriateness and relevance of the remuneration policy.
- M. Review on a regular basis the existing Group pension arrangements and make recommendations to the Board for any amendments

7.2. NOMINATION



The Housing Finance Corporation

- A. 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.
- B. 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.
- C. Keep under review the leadership needs of the organisation, both executive and nonexecutive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- D. Keep up-to-date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates.
- E. Identifying and nominating candidates to fill Board vacancies as and when they arise, for approval by the Board.
- F. 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.
- G. Prior to the appointment of a director, other significant time commitments should be disclosed and any additional future commitments should not be undertaken without prior approval of the board. The proposed appointee should also be required to disclose any other business interests that may result in a conflict of interest. These must be authorised by the board prior to appointment and any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the board.



The Housing Finance Corporation

- H. Review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- I. 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.
- J. Reviewing the results of the board performance evaluation process that relate to the composition of the board and succession planning.
- K. Overseeing, reviewing and, where appropriate, making recommendations with respect to the Group's Diversity, Equity and Inclusion Strategy.
- L. Any other relevant matters requested by the Board.

8. AUTHORITIES

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

9. RECOMMENDATIONS TO THE BOARD

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

9.1. REMUNERATION

- A. The remuneration of non-executive directors within the Group.
- B. The annual Staff Pay Award proposal.
- C. The Bonus Award proposal.
- D. Proposals made by external benchmarking exercises of pay and benefits.



9.2. NOMINATION

- A. Suitable candidates as new directors and succession planning for existing directors.
- B. The appointment of any director to executive or other office.
- C. Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.
- D. Membership of the board committees, in consultation with the chair of those committees.
- E. The re-election by shareholders of directors under the retirement by rotation provisions in The Housing Finance Corporation's rules, having due regard to their performance and ability, and why their contribution is important to The Housing Finance Corporation's long-term sustainable success.
- F. When recommending re-election of directors for approval by shareholders, 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 a whole.
- G. 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.

10. REPORTING RESPONSIBILITIES

The Committee shall:

- A. Report to the Board at the following meeting of the Board 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. Make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for board discussion when necessary
- C. 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 The Housing Finance Corporation.



The Housing Finance Corporation

If the committee has appointed remuneration or search consultants, the consultants should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors

11. MATTERS RESERVED FOR THE BOARD

The Board reserves powers in relation to:

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

12. 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 28 March 2025.