

# FAMILY ASSURANCE FRIENDLY SOCIETY

## THE REMUNERATION SUB-COMMITTEE

### TERMS OF REFERENCE

(as adopted by the Society's Board on 5<sup>th</sup> December 2023)

#### **1 Membership**

- 1.1 Members of the Remuneration Sub-Committee (“the **Committee**”) will be appointed by the board of directors of the Society (“the **Board**”) on the recommendation of the Nominations Sub-Committee in consultation with the Chair of the Committee. The Committee will comprise at least 3 members.
- 1.2 All members will be independent non-executive directors of the Society. The Chair of the Board may serve on the Committee as member if he or she was considered independent at the time of his or her appointment as Chair. The Chief Executive Officer (CEO) may attend all meetings but may not participate in any deliberation as regard to the remuneration of the CEO.
- 1.3 Only members of the Committee have the right to attend Committee meetings. At least one director of each subsidiary company will be expected to be in attendance to enable oversight of and decisions by those firms. Other directors and other individuals (including representatives of external advisers) may be invited to attend for all or part of any meeting, as and when appropriate in the opinion of the Committee's chair or the majority of its members.
- 1.4 The Board will appoint the Chair. The appointee should have served on a remuneration committee for at least 12 months prior to the appointment. In the absence of the Chair and/or an appointed deputy, the remaining members present will elect one of themselves to chair the meeting. The Chair of the Board will not be Chair of the Committee.
- 1.5 The chair of the meeting will be entitled to a casting vote in addition to any other vote he/she may have.

#### **2 Secretary**

The Secretary of the Society, or any other person selected for the task by the Committee, will act as the secretary of the Committee.

#### **3 Quorum**

The quorum necessary for the transaction of business will be 2 members. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **4 Meetings**

- 4.1 The Committee will meet at least 3 times a year and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the Society’s governance, including the Chair of the Board, the Chairs of other Sub-Committees, the Chief Executive Officer and the Chief Finance Officer.

## **5 Notice of meetings**

- 5.1 Meetings of the Committee will be convened by the Secretary of the Committee at the request of any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting.
- 5.3 The Secretary will ensure that each member of the Committee (and any other attendee as appropriate) receives information and papers in a timely manner to enable proper consideration to be given to issues.

## **6 Minutes of meetings**

- 6.1 The Secretary will minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings will be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, other than where, in the opinion of the Chair, it would be inappropriate to do so.

## **7 Annual General Meeting**

The Chair of the Committee should attend the Society's Annual General Meeting to answer any member questions on the Committee's activities.

## **8 Duties**

The Committee will assist the Board in fulfilling its oversight responsibilities across the Group and should carry out the duties detailed below for the Society, subsidiary undertakings, and the Group as a whole, as appropriate. For the avoidance of doubt, oversight of remuneration in respect of subsidiary companies will be effected through receipt of reports from the directors of each firm and directions being made by the Committee to those directors in the capacity of the Society as the parent company holding 100% ownership.

The Committee will:

- (a) have delegated responsibility for determining and setting OneFamily's remuneration policy, for all employees, ensuring alignment to business strategy and regulatory expectations. This includes pension rights, compensation payments, executive bonus schemes, incentive payments and other rewards for the Executive Directors and senior management<sup>1</sup>. The Committee may delegate authority to the Chief Executive Officer to approve bonus awards for senior management (excluding any Executive Directors) within the approved policy;

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<sup>1</sup> Senior management is defined as the executive committee or the first layer of management below board level, including the company secretary.

- (b) focus on the strategic rationale for executive pay and the links between remuneration, strategy and long-term sustainable success;
- (c) recognise and manage potential conflicts of interest in the process of determining remuneration policies and practices;
- (d) review workforce remuneration and related policies and practices and the alignment of incentives and rewards with culture, taking these into account when setting OneFamily's Remuneration Policy;
- (e) review the distribution of salary increases and bonus awards by gender and the reporting of gender pay information for the organisation.
- (f) review and approve recommendations for senior management remuneration awards,
- (g) approve recommendations for the remuneration of the Chair of the Board and make recommendations to the Board for non-executive directors' fees, ensuring the levels of remuneration for the Chair of the Board and all non-executive directors reflect the time commitment and responsibilities of the role. Non-executive remuneration should not include share options or other performance-related elements;
- (h) consider the reports from the Risk and Audit Sub-Committees when reviewing performance-related pay awards;
- (i) ensure no director or senior manager is involved in any decisions as to his own remuneration;
- (j) review and approve at Group level (not individual) workforce remuneration and related policies, and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;
- (k) take into account, in determining the Remuneration Policy, all factors which it deems necessary including relevant legal and regulatory requirements, the Remuneration Code, the Society's culture, the relevant UK corporate governance codes and associated guidance;
- (l) design the executive directors' remuneration to align with long-term member interests, without paying more than is necessary, having regard to views of members and other stakeholders. The Committee should determine the appropriate balance between fixed and variable remuneration, (both immediate and deferred remuneration);
- (m) approve the Society's Remuneration Policy Statement;
- (n) ensure that all remuneration payments made to any director are consistent with the Remuneration Policy;
- (o) review the ongoing appropriateness and relevance of the Remuneration Policy, in particular in respect of the policy on payments for loss of office and the exercise of discretion;
- (p) approve the design of, and determine targets, including appropriate non-financial and strategic measures. for any performance-related pay schemes operated by the Society

and approve the total annual payments made under such schemes. Performance-related elements should be clear, stretching, rigorously applied and aligned to the successful delivery of the strategy. Performance-related pay schemes should include provisions that would enable the Society to recover sums paid or withhold the payment of any sum and specify the circumstances in which it would be appropriate to do so;

- (q) review any changes to staff identified as Material Risk Takers, for all relevant firms, and any significant changes to their remuneration arrangements.
- (r) review all exit terms for approved persons roles to ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Society,
- (s) ensure that employment policies do not reward failure and that the duty to mitigate loss is fully recognised and that all loss of office payments made to any director are fair and consistent with the Remuneration Policy;
- (t) determine the total individual remuneration package of each executive director;
- (u) oversee any major changes in employee benefits structures throughout the Society or Group;
- (v) be exclusively responsible for establishing the selection criteria and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive directors and senior management;
- (w) obtain reliable, up-to-date information about remuneration in other companies and organisations of comparable scale and complexity; and
- (x) work and liaise with the Risk Sub-Committee as appropriate to report, manage and oversee risks in relation to remuneration strategy and approach.

## **9 Reporting responsibilities**

- 9.1 The Chair will report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities. Including how it has discharged its responsibilities.
- 9.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee will ensure that the provisions regarding the disclosure of remuneration information, including pensions, as required by law and regulation, are fulfilled;
- 9.4 The Committee will produce a report on the Society's Remuneration Policy and practices, including in respect of investment firm subsidiaries reporting requirements, to be included in the Society's annual report and ensure that it is put to members for an advisory vote at the Annual General Meeting; and
- 9.5 The Committee will produce a report on its activities for the Society's annual report taking into account the relevant requirements of the relevant UK corporate governance codes.

## **10 Other**

The Committee will:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Secretariat for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- (c) give due consideration to laws, regulations, the Society's Rules, the provisions of the relevant UK corporate governance codes, the requirements of the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") Handbooks as well as taking account, as appropriate, of any published guidelines or recommendations regarding the remuneration of directors of a listed company and any other applicable rules, as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference;
- (e) work and liaise as necessary with all other Board Sub-Committees; and
- (f) 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.

## **11 Authority**

11.1 The Committee is authorised to:

- (a) seek any information it requires from any employee of the Society in order to perform its duties;
- (b) obtain, at the Society's expense, independent legal, accounting or other professional advice on any matter it believes is necessary to do so;
- (c) call any employee to be questioned at a meeting of the Committee as and when required;
- (d) have the right to publish in the Group's annual report details of any issues that cannot be resolved between it and the Board;
- (e) review and approve policies on behalf of the Board, as delegated to it by the Board from time to time; and
- (f) delegate any of its duties as it is appropriate to such person or persons as it thinks fit.