

FAMILY ASSURANCE FRIENDLY SOCIETY

THE REMUNERATION SUB-COMMITTEE

TERMS OF REFERENCE

(as adopted by the Society's Board on 15/11/2018)

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 Chairman of the Committee. The Committee will comprise at least 3 members.
- 1.2 At least 3 members will be independent non-executive directors of the Society. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent at the time of his or her appointment as Chairman. 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. However, 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 chairman or the majority of its members.
- 1.4 The Board will appoint the Chairman. In the absence of the Chairman and/or an appointed deputy, the remaining members present will elect one of themselves who is an independent director to chair the meeting. The Chairman of the Board will not be Chairman of the Committee.
- 1.5 The chairman 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 non-executive directors. The executive directors in attendance must not form a majority. 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 Chairman will maintain a dialogue with key individuals involved in the Society's governance, including the Chairman of the Board, the Chairmen 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 Chairman, it would be inappropriate to do so.

7 Annual General Meeting

The Chairman 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, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee will:

- (a) have responsibility for recommending the Remuneration Policy for approval by the Board, and for implementing, in consultation with the Chairman of the Board and/or the Chief Executive Officer (as appropriate), the total individual remuneration package for all Executive Directors, the Chairman of the Board and other designated senior executives, including pension rights, compensation payments, executive bonus schemes and incentive payments and other awards;
- (b) to consider the reports from the Risk and Audit Sub-Committees when reviewing performance-related pay awards;
- (c) receive recommendations from the Chief Executive Officer regarding the fees for non-executive directors;

- (d) ensure no director or senior manager is involved in any decisions as to his own remuneration;
- (e) review and approve at Group level (not individual) the policy relating to employee salary bands and employee bonus schemes;
- (f) 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 UK Corporate Governance Code (as annotated for Mutual Insurers) and associated guidance. Executive Directors' remuneration should be designed to promote the long-term success of the Society, without paying more than is necessary, having regard to views of members and other stakeholders. The Remuneration Policy should have regard to, and be compatible with, the risk appetite of the Society and alignment to the Society's long-term strategic term goals. The Committee should determine the appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the Society;
- (g) approve the Society's Remuneration Policy Statement;
- (h) when setting the remuneration policy for directors, review and have regard to pay and employment conditions across the Society or Group and appropriate comparators in the mutual and friendly society sectors;
- (i) make recommendations to the non-executive directors on the Chief Executive Officer's remuneration;
- (j) ensure that all remuneration payments made to any director are consistent with the Remuneration Policy;
- (k) review the ongoing appropriateness and relevance of the Remuneration Policy, in particular in respect of the approach to recruitment, the policy on payments for loss of office and the exercise of discretion;
- (l) approve the design of, and determine targets 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 transparent, stretching and rigorously applied and 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;
- (m) 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,
- (n) 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;
- (o) within the terms of the agreed policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer (as appropriate) determine the total individual remuneration package of each Executive Director, the Chairman of the Board and other

designated senior executives including bonuses, incentive payments and other awards;

- (p) oversee any major changes in employee benefits structures throughout the Society or Group;
- (q) 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;
- (r) obtain reliable, up-to-date information about remuneration in other companies and organisations of comparable scale and complexity; and
- (s) 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 Chairman will report formally to the Board on its 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; and
- 9.4 The Committee will produce a report on the Society's Remuneration Policy and practices 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.

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 UK Corporate Governance Code (as annotated for Mutual Insurers), 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.