

Kingston Unity Friendly Society Nomination & Governance Committee Terms of Reference

Adopted by the Board on

26th October 2019

1. Introduction

The Board of Kingston Unity Friendly Society (“Board”) resolved to establish a sub-committee of the Board to be known as the Nomination & Governance Committee (the “Committee”) to assist the Board to meet its obligations under relevant legislation, and regulatory and industry association rules, guidance and codes, including (without limitation) the Friendly Societies Act 1992, the Financial Services and Markets Act 2000, the Financial Services Act 2012, the Solvency II Directive, the PRA and FCA’s Principles and Rules, the Senior Managers and Certification Regime and the AFM Corporate Governance Code (“AFM Code”). The Committee reports to the Board and must conduct its business in accordance with the Society’s rules and these terms of reference.

The Committee provides a forum for oversight of the operations of Kingston Unity Friendly Society and any subsidiary companies it may have from time to time (together, the “Society”) relating to the purposes set out below.

2. Purposes

The main purposes of the Committee are to:

- Review and evaluate the size, structure and composition of the Board and its committees and ensure succession plans are in place for the Board and senior management;
- identify and recommend candidates, based on merit and against objective criteria, for approval and appointment to the Board;
- provide oversight of the Society’s governance arrangements to ensure compliance with relevant legal and regulatory requirements set out in the Introduction above and alignment to the Society’s strategic priorities;
- make recommendations to the Board on any governance issues to enable the Board to operate effectively and efficiently; and
- determine and lead the process for the annual Board Effectiveness Review.

3. Objectives and Responsibilities

The Committee's objectives and responsibilities to fulfil its purposes are particularised below:

Appointments and Succession Planning

- To determine and lead the selection process for Board appointments (including member-proposed NED candidates) as vacancies arise, defining the roles and capabilities necessary for appointments with due regard to any identified skills / experience gaps, the time commitments required, independence and the opportunities and challenges facing the Society;
- to oversee the selection process for the appointment of senior management, including definition of capabilities necessary for the role with due regard to the opportunities and challenges facing the Society;
- to ensure that succession plans are in place for all Board members and senior management;
- to ensure that both appointments and succession plans are based on merit and objective criteria, taking due account of the promotion of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- to annually consider and make an appropriate recommendation for re-election to the Board any NEDs who, (either per the requirements of the Society's rules or on a voluntary basis), are up for re-election having regard to his/her independence, performance and ability to continue to contribute effectively to the Board and the need for progressive refreshing of the Board and its committees; and
- to ensure that on appointment each NED receives a formal letter of appointment clearly outlining responsibilities and time commitments expected, and any executive appointees receive an appropriate service contract clearly outlining the role and responsibilities.

Ongoing Review of Individuals

- To oversee the Chairman's review of each Board member and ensure that every Board member is contributing at the required level, including an assessment of individuals' other significant time commitments to ensure that they continue to have sufficient time to discharge their responsibilities to the Society;
- in relation to the Chairman, to ensure that the job description and anticipated time commitment necessary for the role time to the role continues to be appropriate, and oversee the evaluation of the Chairman by the Senior Independent Director;
- to oversee the Chief Executive's review of each of his direct reports in the Executive management team to ensure that every team member is contributing at the required level;
- to annually receive and review an assessment of the continued fitness and propriety of Senior Management Function ("SMF") holders and non-SMF-holding NEDs, together with the Responsibilities Map; and
- to annually review the independence of NEDs classed as independent to ensure that they continue to meet the criteria set out in the AFM Code.

External Audit Function Cont...

- to directly oversee the appointment, re-appointment and removal of the external auditor and make appropriate recommendations to the Board accordingly (which would then be subject to the approval of Society members in the Annual General Meeting), conducting a review annually with due regard to their effectiveness, objectivity, independence, value for money and in accordance with Society policy and relevant UK professional and regulatory standards and requirements;
- to consult with the external auditors before the audit commences to discuss the scope of the audit and agree an External Audit Plan to ensure that reporting time lines can be adhered to, and monitor the progress of the external audit against this;
- to approve the terms of engagement of the external auditor in respect of audit services provided and of the engagement letter issued by the external auditor at the start of each audit, ensuring that, (where the external auditor provided audit services the previous year) it has been updated to reflect changes in circumstances arising since the previous year, and, if not satisfied as to its adequacy, arrange for additional work to be undertaken;
- to decide on the remuneration to be paid to the external auditor in respect of audit services provided, having satisfied itself that the level of fee payable is appropriate and that an effective, high quality, external audit can be conducted for such a fee;
- to undertake a post-audit review at the end of each annual audit cycle, considering: (i) whether the auditor has met the agreed External Audit Plan and understand the reasons for any deviations, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks; (ii) the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgments identified and in responding to questions from the Committee, and in their commentary (where appropriate) on the systems of internal control; (iii) feedback about the conduct of the audit from key management involved; (iv) the external auditor's management letter in order to assess whether it is based on a good understanding of the Society's business; and (v) management's response to the external auditor's management letter to determine whether recommendations have been accepted and acted upon, and, if not, the reasons why not;
- to seek reassurance that the external auditors and their staff have no financial, business, employment or family and other personal relationship with the Society which could adversely affect the external auditor's independence and objectivity, taking account of relevant ethical standards for auditors;
- to seek from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff;
- in the event that the external auditor resigns, to investigate the issues giving rise to such resignation and consider whether any action is required; and
- to challenge any proposal to use external auditors for non-audit work given the Public Interest Entity status of the Society and maintenance of their independence.

Governance and Board Effectiveness

- To oversee the Society's governance framework;
- to keep under review the structure, size and composition (having due regard for a balance of skills, knowledge, experience, diversity and number of independent NEDs) of the Board and its committees, (in consultation with their respective Chairmen), making any recommendations as appropriate;
- to determine and lead the process for the annual Board Effectiveness Review to assess the Board's effectiveness ensuring that the process is externally led periodically, (in line with AFM Code guidance), including responsibility for engaging the external facilitators and overseeing the implementation of the recommendations from the review;
- to monitor developing industry trends and changes in law and regulation to assess impact (if any) on the Society;
- to review the Board's training programme and needs, and identify any areas for development;
- to conduct a review of the Board's conflicts of interest register at least annually;
- to review the Board handbook annually to ensure that it reflects current practice relating to the Society's governance;
- to monitor the Society's compliance with good governance standards as set out in the AFM Code and other relevant rules and legislation as set out above, referring to the Board (and making recommendations on) any issues which it identifies; and
- to consider other topics associated with the purposes above as requested by the Board.

Reporting Procedures

- To oversee the preparation of an annual report to be proposed to the Board for inclusion in the Society's Annual Report and Accounts which, taking an 'apply and explain' approach, outlines how the Society's corporate governance processes operate and achieve the desired outcomes set out in the AFM Code with due regard to supporting guidance, together with a report on the Committee's activities and practices; and
- to prepare minutes of the meetings of the Committee (to be presented to the next Committee meeting for formal adoption) and to make these available to all members of the Board.

4. Composition

The Committee shall be comprised of the Society Chairman and at least additional two independent NEDs appointed by the Board. The Chief Executive may attend by invitation only.

5. Meetings

Frequency: Meetings shall be held when necessary but at least twice a year.

Chairmanship: The Society Chairman will be Chairman of the Committee and shall chair meetings unless the Society Chairman's role is under review at the meeting in question in which case the meeting will be chaired by the Senior Independent Director who will attend in place of the Society Chairman. In the case of the Chairman's absence, the members present will elect one of their number to chair the meeting.

Voting: On any vote of the Committee, the majority shall prevail, with the Chairman holding the casting vote.

Permitted Attendees: The Committee may invite other individuals (e.g., external advisors or other NEDs) to attend meetings to observe, report, answer (or ask) questions or make presentations, as it deems necessary.

Notice and Agenda: Notice of meeting and an agenda (together with any other supporting papers) shall be circulated to all Committee members at least one week in advance.

Quorum: Two members, both of whom must be independent NEDs, must be present before a meeting is to be considered quorate. Committee members may be present in person or through any other means of communication but to count towards a quorum, members must be able, fully, to hear and participate in the Committee's proceedings. No business can be conducted in the absence of a quorum. A meeting shall terminate as soon as it becomes inquorate.

Conflicts of Interest: The Chairman shall ascertain any conflicts of interest of members of the Committee at the start of each meeting in relation to the matters to be discussed and record accordingly in the minutes.

6. Authority

The Committee may investigate any activity within its terms of reference. In doing so it may obtain, at the Society's expense, external professional advice as appropriate in fulfilling its duties, and is authorised to seek any information it requires from any employee and to direct employees to co-operate with any request it makes.

7. Escalation

Any matters requiring escalation shall be escalated to the Board.

8. Delegated Matters

Any specific responsibilities or permissions delegated to the Committee by the Board (or limits given to these) shall be set out in the relevant appendix to the current Board Handbook.



Kingston Unity is a trading name of Kingston Unity Friendly Society Limited, 9 Navigation Court, Calder Park, Wakefield, WF2 7BJ.
The Society is registered and incorporated under the Friendly Societies Act 1992, registered number 775F and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, firm reference number 110056.