

# Kingston Unity Friendly Society Remuneration 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 Remuneration 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 (including the ‘Prudent Person’ principle), the Senior Managers and Certification Regime and the AFM Corporate Governance Code (“AFM Code”) and the PRA and FCA’s Principles and Rules. 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:**

- determine and oversee the design and implementation of the Society’s remuneration policy (“Remuneration Policy”) and associated remuneration practices for the Chief Executive Officer (“CEO”), Non-Executive Directors (“NEDs”) and senior management;
- review and recommend to the Board the remuneration package of the CEO, Society Chairman, NEDs and senior management;
- provide a forum for independent oversight of management in how all remuneration processes are implemented within the organisation ensuring that incentives drive behaviours consistent with the Society’s values and protect the reputation of the Society by not attracting adverse comment, and that they are competitive and will attract and retain the best people;
- ensure effective engagement with staff in relation to remuneration and related policies and practices, and that their views are understood and considered as appropriate by the Committee and the Board;
- oversee the policy, design and governance of any variable remuneration schemes offered to staff; and
- always uphold and protect the interests of members relating to staff remuneration.

### 3. Objectives and Responsibilities

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

#### Remuneration Policy

- To determine and oversee the design and implementation of the Remuneration Policy (and review it at least annually) with due regard to compliance with the regulatory considerations outlined in the Introduction above and in alignment with the Society’s business strategy and objectives, risk appetite and profile, values and culture;
- to review the remuneration policy applicable to all staff and ensure that remuneration rates and terms are competitive enough to attract and retain high quality people (at least annually);
- to consider, in setting policy, the balance between fixed pay and variable pay, (including performance related pay), with due regard to the AFM Code (and supporting guidance) and the views of the PRA and the FCA;
- to determine targets or benchmarks to be used within any incentive plans, including risk weightings applied to performance objectives for the CEO and senior management, ensuring that discretion can be used to override formulaic outturns, and independent judgement and discretion is exercised when authorising remuneration outcomes, taking into account Society and individual performance and wider circumstances;
- to ensure that no terms of the Remuneration Policy or any other remuneration practices or policies at the Society inadvertently discriminate against anyone based on a ‘protected characteristic’ (as defined in the Equality Act 2010); and
- to review and approve the Remuneration Policy Statement, ensuring that it is in line with applicable regulations.

#### Specific Remuneration Recommendations

- To undertake bench-marking work to establish levels and terms of remuneration for comparable roles for those which are the subject of any recommendation with due regard to the relevant skills and experience of the individuals concerned, and the geographical location, sector and size of the Society;
- to recommend to the Board (and keep under review) the overall remuneration package for the CEO on terms which are motivational, but which do not encourage any form of risk taking beyond the Society’s risk appetite and do not encourage or tolerate poor conduct leading to poor member outcomes;
- to review all remuneration packages offered by the CEO to other senior staff and ensure that they are compatible with the Remuneration Policy and principles applicable to the CEO’s own remuneration package;
- to recommend to the Board and the AGM the remuneration of the Chairman of the Board and of the NEDs; and
- to recommend to the Board any compensation payments for loss of office and any other special arrangements for the CEO and senior management such as any arrangement which exceeds a contractual entitlement, or which is without internal precedent.

## Other Responsibilities

- To monitor developing industry trends and changes in law and regulation relating to remuneration and to assess the impact (if any) on the Society and its remuneration policies and practices; and
- to consider other topics associated with the purposes above as requested by the Board.

## Reporting Procedures

- If required under relevant legislation, to monitor and report on gender pay gap analysis and any other pay gap or ratio disclosures;
- to oversee the preparation of the content of the Directors' Remuneration Report for inclusion in the Society's Annual Report and Accounts for Board approval, together with preparing a report on the Committee's activities and practices for inclusion therein;
- to recommend, on behalf of the Board, the Remuneration Policy to the AGM; 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.

## Self-Appraisal

- To review its own performance, constitution and terms of reference, at least annually, to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval; and
- to provide a written report to the Board on the Committee's effectiveness and activities at least annually.

## 4. Composition

The Committee shall be comprised of three independent NEDs (one of which to be the Committee Chairman). 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.