

# British Friendly Society

## Remuneration and Nomination Committee

### Terms of Reference

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The Remuneration and Nomination Committee (“the Committee”) is a committee of the British Friendly Society (“the Society”)’s Board (“the Board”). The Board and its committees are established pursuant to the Society’s Memorandum and Rules (“the Rules”) and unless specifically stated otherwise, terminology, words or expressions used in these Terms of Reference have the same meaning as in the Rules.

#### 1. Membership

- 1.1. The Remuneration and Nomination Committee shall comprise at least three directors, all of the members of the Committee shall be non-executive directors independent of the Society.
- 1.2. Appointments to the Committee are made by the Board on the recommendation of the Remuneration and Nomination Committee.
- 1.3. Only members of the Committee and other non-executive directors have the right to attend Committee meetings. However, other individuals such as other Board members and external advisers may be invited to attend for all or part of any meeting.
- 1.4. The Board shall appoint the Committee Chair who should be either the Chair of the Board or an independent non-executive director. In the absence of the Committee Chair 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.

#### 2. Secretary

- 2.1. The Company Secretary, or their nominee, shall act as the secretary to the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

#### 3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two, both of whom must be independent non-executive directors.

#### 4. Frequency of meetings

- 4.1. The Committee shall meet at least twice a year and otherwise as required.

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#### 5. Notice of meetings

5.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair or any of its members.

#### 6. Minutes of the meeting

6.1. The Company Secretary, or their nominee, shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

6.2. Chair approved draft minutes of Committee meetings shall be circulated to all members of the Committee and shall be reviewed, amended if necessary and approved by the Committee at its next meeting.

#### 7. Engagement with Members

7.1. The Committee Chair should attend the annual general meeting to answer any member questions on the Committee's activities. The Committee Chair should also be made aware of and where appropriate collaborate with the Chief Executive Officer or Company Secretary to answer any questions that are submitted virtually by members in advance of the annual general meeting.

#### 8. Duties

8.1. The Committee should carry out the duties set out below for the Board as appropriate: The Committee shall:

8.2. In relation to Nomination Matters:

8.2.1. Regularly review the structure, size and composition (including skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.

8.2.2. Ensure plans are in place for orderly succession to Board and senior management positions, in particular the key roles defined by the Senior Managers and Certification Scheme ("SM&CR") and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Society and the skills and expertise needed on the Board in the future.

8.2.3. Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

8.2.4. Keep under review at each committee meeting the Society's Responsibilities Map to ensure it accurately reflects the Society's corporate governance structure and operation within the SM&CR.

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- 8.2.5. Be responsible for identifying and nominating for approval by the Board, candidates to fill Board vacancies as and when they arise.
- 8.2.6. Oversight of suitable candidates for appointment to Manager Functions (SMF) and Key Function Holder (“KFH”) (“regulatory roles”).
- 8.2.7. Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected. In identifying suitable candidates the Committee shall:
  - 8.2.7.1. consider candidates from a wide range of backgrounds
  - 8.2.7.2. consider candidates fitness, propriety and ongoing business conduct based on the results of checks carried out under the SM&CR procedures.
  - 8.2.7.3. consider candidates on merit against objective criteria, having due regard to the benefits of diversity on the Board and taking care that appointees have enough time available to devote to the position.
- 8.3. Prior to appointment, other significant commitments should be disclosed and any additional future commitments should not be undertaken without prior approval of the Board Chair.
- 8.4. Ensure 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.
- 8.5. Ensure that a Board effectiveness review is carried out no less than every three years.
- 8.6. Review the results of the Board performance evaluation process in relation to the composition of the Board and succession planning.
- 8.7. Annually review the non-executive directors to assess whether they can satisfactorily fulfil their duties.
- 8.8. Work and liaise with other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly.
- 9. The Committee shall also make recommendations to the Board concerning:
  - 9.1. Any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved.
  - 9.2. Suitable candidates as new directors and succession for existing directors, including oversight of regulated roles and appointment of the Company Secretary.

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- 9.3. Review and identify for approval by the Board, suitable candidates for membership of the Audit and Compliance Committee and the Risk and Investment Committee and any other Board committees as appropriate, in consultation with the Chair of those committees.
- 9.4. The re-appointment of non-executive directors at the conclusion of their specified term of office having due regard to their performance, ability to continue to the Board in light of knowledge, skills and experience required.
- 9.5. The re-election by members of directors under the annual re-election provisions of the Rules, having due regard to their performance and ability, taking into account length of service of individual directors, the Chair and the Board as a whole.
- 9.6. 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 Society, subject to the provisions of the law and their service contract.
- 9.7. The appointment of any employee to executive or other officer.
- 9.8. Review and approve the Society's SM&CR procedures.
- 9.9. The committee will oversee the annual fitness and propriety process and associated outcomes.
- 10. In relation to Remuneration Matters:
  - 10.1. Design remuneration policies and practices to support strategy and promote long-term member interests and sustainable success, with Executive remuneration being aligned to company purpose and values linking successful delivery of the Society's long-term strategy, and use discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances.
  - 10.2. In determining remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements and associated guidance. The objective of the policy shall be to attract, retain and motivate executive management of the quality required to run the Society successfully without paying more than is necessary, having regard to views of members and other stakeholders.
  - 10.3. Responsibility for recommending for approval the policy for Directors' remuneration and setting remuneration for the Society's Chair and Chief Executive Officer, including the Company Secretary where applicable.
  - 10.4. The Committee will recommend to Board the remuneration of the non-executive directors within the limits set in the Rules of the Society

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- 10.5. The Committee shall determine the remuneration of the Chair of the Board within the limits set out in the Rules of the Society.
  - 10.6. Within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive, determine the total individual remuneration package of the Executive directors, the Society Chair and the Chief Executive's direct reports including bonuses and 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 competence and individual performance and wider circumstances.
  - 10.7. Review the ongoing appropriateness and relevance of the remuneration policy.
  - 10.8. Review staff remuneration and related policies including any bespoke bonus schemes, i.e the Sales Team bonus scheme.
  - 10.9. Within the terms of the agreed policy on an annual basis, recommend to the Board for approval the overall size of the bonus pot available.
  - 10.10. Within the terms of the agreed policy on an annual basis, recommend for Board approval the achievements against the balanced score card.
  - 10.11. Work and liaise with the Audit and Compliance Committee in instances of claw-back and malus.
  - 10.12. Work and liaise as necessary with other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly.
  - 10.13. Have full authority to appoint remuneration consultants and to commission reports, surveys or information which it deems necessary at the expense of the Society.
  - 10.14. No officer, director or senior manager shall be involved in any decision as to their own remuneration outcome.
11. Reporting Responsibilities
- 11.1. The Committee Chair shall report to the Board after each meeting on the nature and content of its discussion, recommendations and actions to be taken.
  - 11.2. The Committee shall make whatever recommendations to the Board it seems appropriate within its remit where action or improvement is needed, and appropriate.
  - 11.3. The Committee shall produce a report to be included in the Society's annual report describing the work of the Remuneration and Nomination Committee including:

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- 11.3.1. the process used in relation to appointments and its approach to succession planning
- 11.3.2. how Board evaluation has been conducted, the nature and extent of any external evaluation's input, the outcomes and actions taken.
- 11.3.3. the policy on diversity and inclusion, its objectives and how it has been implemented and progress on achieving the objectives.
- 11.4. The Committee shall ensure that provisions regarding disclosure of information set out in the Company's (Directors' Remuneration Policy & Directors' Remuneration Report) is fulfilled and put to members for approval at the AGM as necessary and as set out in the Association of Financial Mutuals Corporate Code of Governance
- 11.5. If the Committee appoints remuneration consultants, the consultants should be identified in the annual report together with a statement regarding any other connection to individual directors or the Society.

## 12. Other Matters

- 12.1. The Committee shall:
- 12.2. Have access to sufficient resources in order to carry out its duties.
- 12.3. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 12.4. Give due consideration to all relevant laws and regulations as appropriate.
- 12.5. Ensure that a periodic evaluation of the Committee's own performance is carried out.
- 12.6. At least annually, review the Committee's constitution and terms of reference to ensure it is operating at maximum effectiveness recommending any changes necessary to the Board for approval.
- 12.7. The Committee is authorised by the Board to obtain, at the Society's expense, research, outside legal or other professional advice on any matters within its terms of reference.

Under the Delegation of Authority Policy, the Committee is granted certain approval permissions. Matters outside this ToR or the Delegation of Authority Policy should be granted approval by the Board.

Approved by the Board on 21 February 2024