

Unum Limited

Corporate Governance Report

For the year ended 31 December 2019

The Company is a private non quoted Company, therefore, is not required to comply with the UK Corporate Governance Code 2018 (“the Code”) published by the Financial Reporting Council as it applies to Premium listed companies. For the year ended 31 December 2019, the Company operated its own governance arrangements, which adopt and reflect elements of the Code, the Companies Miscellaneous Reporting Regulations 2018 and the Wates Principles that the Directors considered appropriate given the size and complexity of the Company.

Company Purpose and Board Leadership

Unum Limited is an employee benefits provider offering financial protection through the workplace and is focused on Income Protection, Life Insurance, Critical Illness, and Dental cover. The Company and Board play a critical role in helping to protect the financial futures of individuals and their families, and the services offered help people when they need it most. The Company believes that workplace wellbeing for both employees and employers is integral to all businesses. The Company offers a wide range of tools designed to help businesses and to support their employee wellbeing strategy.

The Board of Directors is responsible for agreeing the company strategy, delivering propositions and services our customers value, delivering shareholder return, approving business plans, and monitoring performance. The Company’s strategy is to become a broader employee benefits provider, whilst growing its business. The Company’s focus is on helping employers reduce volatility in their business by managing the impact of staff absence costs, and on providing financial security for individuals through its product offerings. The Company believes the best place to offer income protection and employee benefits is through the workplace and it continually seeks to provide innovative solutions and product offerings to meet this need.

Appropriate mechanisms are in place to ensure that the Board has a clear understanding of the views of Unum Group, the Company's sole shareholder. This includes periodically inviting senior representatives to observe Board and Committee meetings.

The Board recognises the importance of its role in setting the tone of the Company's culture and embedding it throughout the business. Ultimately this responsibility puts the Customer at the heart of everything the Company does and is a foundation stone of its culture and its purpose.

The Company has clearly defined corporate values (We are Unum) that guide what it does and the decisions made. They set out what is at the heart of Unum – helping to protect the financial futures of individuals and their families – and how this is fundamental to achieving its business objectives, how it helps build a place people aspire to work and how it enables the Company to better serve its customers.

'We are Unum' compliments the wider framework of its Vision, Values, Leadership Expectations, Customer Experience Vision and Code of Conduct to comprehensively articulate what the Company stands for and the behaviours expected from its employees.

The Board recognises that culture is a key driver of behaviours and performance and annually reviews its Culture Framework which includes a suite of key behaviour-based metrics supported by insights from a regular employee engagement survey. The Board regularly receives assurance on how the business is performing against the Culture Framework from the Human Resources, Compliance, Risk and Internal Audit functions.

The Company has a Whistleblowing Policy which is reviewed and approved by the Board annually. The Chair of the Audit Committee is the Whistleblowing Champion.

Inclusion, Diversity, Corporate and Social Responsibility

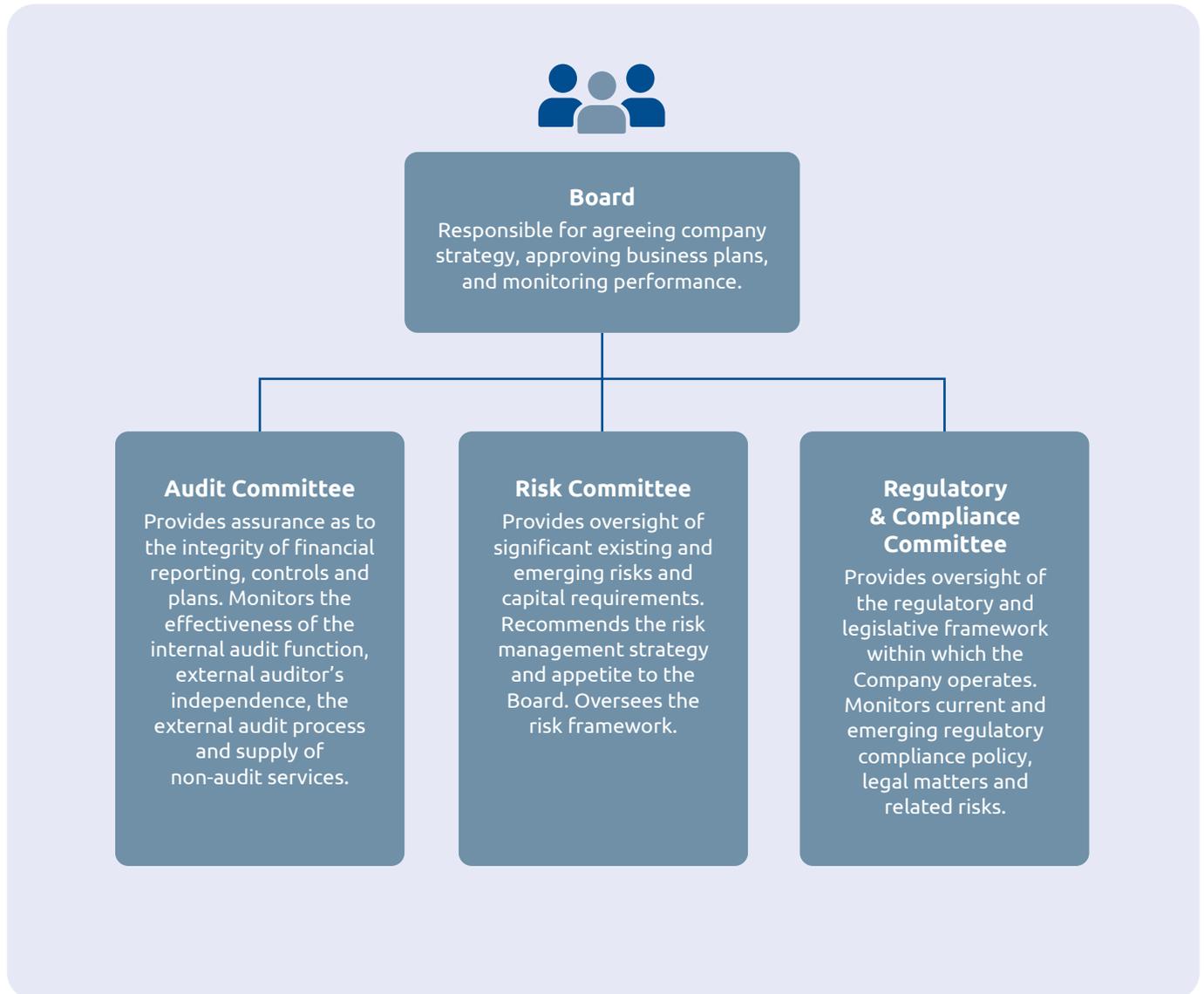
The Board appreciates the different perspectives and experiences the Company's employees and customers bring. The Company believes in inclusion and diversity and recognises the benefits diversity can bring to its Board of Directors and the importance of taking an active role in its Inclusion and Diversity and CSR agendas. The Company is a signatory of the 'Women in Finance Charter'. The Non-Executive Directors have sponsored the 'Women in Leadership' programme, they also mentor and sponsor leaders within the organisation. The pay of the Chief Executive Officer (CEO) and HR Director are linked to diversity targets.

Unum UK's Chair and Non-Executive Directors (NEDs) play an active role in its CSR programme and in environmental sustainability. The Chair meets regularly with the Company's charity partners and attends charity events on behalf of Unum. Alongside the Executive Committee, Directors also attend Unum's annual Parliamentary Reception which brings together and celebrates many of the charity partners and community organisations Unum has supported throughout the year.

The Board has agreed collective responsibility for the engagement with its employees and consequently have not assigned responsibility to one specific Director.

Division of Responsibilities

The Company has a clear governance structure and defined roles and responsibilities at all levels. The Board are supported by the Audit, Risk, and Regulatory & Compliance Committees. The Board Committees are all chaired by NEDs. They bring independent judgment on all issues of strategy, performance, resources and standards of conduct. The Company has a separate Chair and CEO with a clear division of responsibilities.



Remuneration

The Company has no employees. It has a resourcing and services agreement with a parent company, Unum European Holding Company Limited, under which it is provided with staff that perform administrative, management and other services on behalf of the Company. These costs are reported under the relevant headings in the income statement.

Senior executives' remuneration levels, which are established in accordance with the remuneration framework and policy, are approved by the Unum European Holding Company Limited Nomination and Remuneration Committee and reviewed by the Human Capital Committee of Unum Group. Executive reward includes longer-term performance measures and incentives for our Executive Directors, including links to operation within risk appetite.

Compensation Programme Structure

Our executive compensation philosophy is to reward performance that helps us achieve our corporate objectives, increase shareholder returns, attract and retain talented individuals, and promote a culture of ownership and accountability in the company. We do this by:

- Offering base salaries that reflect the competitive market as well as the roles, skills, abilities, experience and performance of employees;
- Providing incentive opportunities for all employees based on the achievement of corporate and individual performance goals; and
- Aligning the long-term interests of management and shareholders by offering performance- based equity compensation opportunities and requiring senior officers to own a specified value of Unum Group shares and retain equity awards for a specified period of time after vesting.

Board Composition and Activities

The Board of Directors comprises two Executive Directors (the Chief Executive Officer and Chief Financial Officer) and four Independent Non-Executive Directors. The Chair of the Board was independent on appointment. The Board look for diversity of thought and experience, cultural fit, empathy and for leaders who display and encourage candour and effective challenge when considering appointments to the Board.

Peadar (Peter) O'Donnell Chief Executive Officer

As CEO, Peter shapes and influences the future development of the Company and ensures that it delivers on its strategic objectives. Peter is an Executive Director of Unum Limited and Unum European Holding Company Limited. Peter O'Donnell became CEO of Unum UK in 2012 and Chair of Unum Poland upon acquisition in October 2018.

Peter has also worked at Prudential, RSA and Aviva and has a breadth of insurance experience of both the international and the UK markets. Peter has a Bachelor of Commerce Degree from University College, Dublin and is a member of CIMA.

Jonathan (Jon) Fletcher Chief Financial Officer

As CFO, Jon provides strategic financial management and leadership across the business to support Unum UK in meeting stakeholder expectations. Jon is a Director of Unum Limited and Unum European Holding Company Limited.

Jon has been with Unum for five years. He was Director of Actuarial before he was appointed as Chief Financial Officer on 1 January 2017. Previously he held a variety of positions at consultants and insurers. He was Executive Director at Ernst & Young and Head of Planning and Forecasting at HBOS, in addition to roles at Tillinghast and Eagle Star during the early part of his career.

Clifton Melvin, Chair
Chair Nomination and
Remuneration Committee

Clifton has significant experience of both insurance and retail financial services. He is a Fellow of the Institute of Actuaries and has enjoyed an executive career at Winterthur Life UK, GE Capital Europe, KPMG and AXA. His Non-Executive experience includes Saga Services Ltd and Just Retirement Ltd. Clifton is a Non-Executive Director of Unum Limited and Unum European Holding Company Limited.

**Cheryl Black, Independent
Non-Executive Director**
Chair Regulatory and Compliance Committee

Cheryl brings senior level board experience with recognised expertise in business transformation, combining both leadership and financial skills. During her executive career Cheryl worked at Telefonica O2 UK, Scottish Water and EDF. Her Non-Executive experience includes Skipton Building Society, Southern Water Services, NHS 24 and Telefonica UK Pension Trustee Ltd. Cheryl is a Non-Executive Director of Unum Limited and Unum European Holding Company Limited.

**Samantha (Sam) Hoe-Richardson,
Independent Non-Executive Director**
Chair Audit Committee

Sam is currently a Non-Executive Director and Chair of the Audit Committee at Lancashire Holdings Limited and Lancashire Insurance Company (UK) Limited. She previously held an executive role at Network Rail and Anglo American plc and her executive experience includes roles at Arthur Andersen and Schroders. Sam is also a Member of the Board of Trustees and Honorary Treasurer of The Royal School of Needlework. Sam is a Non-Executive Director of Unum Limited and Unum European Holding Company Limited.

**Nicholas (Nick) Poyntz-Wright,
Independent Non-Executive Director**
Chair Risk Committee

Nick has significant experience of both insurance and retail financial services. He is a Fellow of the Institute of Actuaries and was previously CEO of Skandia UK and Director of Long-Term Savings and Pensions at the Financial Conduct Authority. He is a Non-Executive Director with the Phoenix Group, sitting on the Boards of its life subsidiaries as well as chairing the Investment Committee. He is also on the Board of Just Retirement Limited, part of Just Group. Nick is a Non-Executive Director of Unum Limited and Unum European Holding Company Limited.

In 2019, the Board led the process that resulted in the appointment of Nick Poyntz-Wright to the Board as an Independent Non-Executive Director. The process included the services of an external search consultancy, together with interviews with relevant members of the Board.

In addition to matters referenced in the Section 172 Companies Act 2006 statements, the following matters are routinely considered by the Board. The Board also receive regular updates on the matters delegated to the Risk, Audit and Regulatory & Compliance committees:

- Business strategy
- Customers
- Business plans
- Service targets and supplier outsourcing arrangements
- Investment strategy
- Risk appetite

- Political, economic, legal, regulatory & competitor landscape
- Emerging risks
- Culture framework
- Inclusion and Diversity
- Dividends
- Annual Report and Accounts
- Solvency II and other regulatory reporting
- Board effectiveness
- Terms of Reference

During 2019, the Board also considered:

- Brexit
- Climate crisis
- Proposition Governance
- Independent Non-Executive Director Appointment

Board Effectiveness and Training

The Board fosters a culture of openness and transparency with conversations both inside and outside of the Boardroom. The Chair holds regular meetings with other Non-Executive Directors without Executive Directors being present.

The annual Board effectiveness and performance review process enables individual Directors to comment on the Board's performance. The Chair of the Board also benefits from the services of an external specialist consultancy to act as an independent sounding board. Such meetings occur once or twice per annum.

An externally facilitated board evaluation is undertaken every three years or as considered appropriate by the Chair and involves interviews with all Board members.

Directors attend structured induction training, and regular training thereafter, where access to and discussion with the leadership team is encouraged, to allow the directors to familiarise themselves with the business and current topics.

Directors are not subject to annual re-election but attend regular training to ensure they remain suitably qualified to continue their role.

2019 Board and Committee meeting attendance

	Board Tenure at 31/12/2019*	Board	Regulatory & Compliance Committee	Audit Committee	Risk Committee
Number of meetings		8	4	8	6
	Years	Attended	Attended	Attended	Attended
Independent Non-Executive Directors					
Clifton Melvin (Chair)	5.4	8/8	4/4	8/8	6/6
Malcolm McCaig (retired 7 August 2019)		5/5	3/3	7/7	4/4
Cheryl Black	5.4	8/8	4/4	8/8	6/6
Sam Hoe-Richardson	2.8	7/8	4/4	8/8	6/6
Nick Poyntz-Wright (appointed 1 July 2019)	0.5	4/4	2/2	3/3	3/3
Non-Executive Director					
Rick McKenney (retired 31 May 2019)		2/4	NA	NA	NA
Executive Directors					
Peter O'Donnell		8/8	NA	NA	NA
Jon Fletcher		8/8	NA	NA	NA

* Independent Non-Executive Directors are typically expected to serve three three-year terms unless invited by the Board to serve for an additional period. There is no right to re-nomination by the Board, either annually or after any three-year period.