

AUDIT AND COMPLIANCE COMMITTEE

Terms of Reference

1. Purpose

The purpose of the Audit and Compliance Committee (the “Committee”) is to provide an independent oversight of the Society’s statutory reporting and systems of internal control and ensure its compliance with the Financial Services and Markets Act 2000 and subsequent related legislation - through the supervision and monitoring of the independence, quality and effectiveness of the Society’s external auditor and internal audit function, and to enable the Society’s compliance procedures to be reviewed in greater detail than at regular Board meetings.

2. Duties and Responsibilities

2.1 To meet its purpose the Committee shall:

Financial Reporting:

2.1.1 review the arrangements established by management for compliance with financial reporting requirements;

2.1.2 review the statutory accounts and financial reports on behalf of the Board;

2.1.3 monitor the integrity of the financial statements of the Society and any formal announcements relating to the Society’s financial performance, reviewing significant financial reporting judgements contained in them, consistency of application of significant accounting policies, and the clarity, consistency and completeness of disclosure.

Reporting Requirements and Responsibilities:

2.1.4 review the audit and compliance related disclosures in the Annual Report;

Internal Audit:

2.1.5 monitor and review the effectiveness of the Society’s internal audit function;

Compliance Monitoring Function:

2.1.6 review the arrangements established by management for compliance with regulatory requirements; and

2.1.7 assess the impact of regulatory developments and make recommendations to the Board.

2.2 The responsibilities of the Committee shall be to:

External Audit:

2.2.1 oversee the process for the selection, appointment, re-appointment and removal of the external auditor (ensuring that the audit services contract is put out to tender at least once every ten years) and make appropriate recommendations through the Board to the members to consider at the AGM and to approve the remuneration and terms of engagement of the external auditor;

2.2.2 meet regularly with the external auditor (including at the planning and reporting stages of the audit) and at least annually without the presence of Executive members;

2.2.3 consider the engagement of the external auditor to supply any non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and report to the Board, identifying any matters in respect of which it considers that action or improvement is needed;

2.2.4 monitor any fees in respect of non audit services provided by the external auditor and ensure that the provision of non audit services does not impair the external auditors’ independence or objectivity;

2.2.5 review the external auditors’ management letter(s) and the management’s responses;

2.2.6 review and challenge where necessary, the actions and judgements of management, in relation to interim and final audit reports before submission to the Board;

- 2.2.7 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- 2.2.8 review any representation letters requested by the external auditor before recommending to the Board that they are signed on its behalf by management;

Internal Audit:

- 2.2.9 consider the appointment of the internal auditor;
- 2.2.10 meet at least annually with the internal auditors, without the presence of Executive members;
- 2.2.11 review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the Society and access to information it needs to fulfil its mandate;
- 2.2.12 review, and challenge where necessary, the actions and judgements of management, in relation to internal audit reports and any Audit and Compliance Committee matters before submission to the Board;
- 2.2.13 ensure appropriate account is taken of all audit issues and that management respond to weaknesses and issues highlighted by external and internal audit reports;

Compliance Monitoring Function:

- 2.2.14 review the completeness and adequacy of the Compliance Monitoring work plan;
- 2.2.15 monitor progress on Compliance Function's work;
- 2.2.16 review and monitor Management's responsiveness to the Compliance Monitoring Function's findings and recommendations;
- 2.2.17 monitor and assess the role and effectiveness of the Compliance Monitoring Function, taking into account the work of the Internal Auditor;
- 2.2.18 receive and review reports from the Health and Safety Officer, Compliance Officer and Money Laundering Reporting Officer;
- 2.2.19 review the Society's systems and controls for the prevention of bribery and receive any reports on non-compliance;
- 2.2.20 assess the impact of other regulatory developments that affect the management of the Society's with-profits and other business and make recommendations to the Board, as appropriate;
- 2.2.21 ensure liaison between the external and internal auditor and compliance; and

Whistleblowing and Fraud:

- 2.2.22 review the Society's procedures for detecting fraud; and
- 2.2.23 review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

In order to assist the Committee, management shall produce quarterly internal audit, and compliance reports.

3. Membership

- 3.1 At the first meeting after each AGM the Board will appoint from its independent non-executive Directors at least three members to the Committee, taking into account any recommendations from the Nomination and Governance Committee.
- 3.2 The Chair of the Committee will be appointed by its members, taking into account any recommendations from the Nomination and Governance Committee and the Board.
- 3.3 At least one member of the Committee must have recent and relevant financial experience, and at least one member (who may be the same person) must have competence in auditing or accounting.
- 3.4 Membership shall include at least one member of the Risk and Investment Committee.

4. Attendance at Meetings

- 4.1 The Chair of the Society and the Senior Independent Director have the right to attend meetings.
- 4.2 Other Directors, employees of the Society and external advisors may attend by invitation of the Committee.
- 4.3 The internal audit co-ordinator and the Compliance Officer will attend to support the work of the Committee.
- 4.4 The external auditor and internal auditor will each have the right to meet with the Committee without executive Directors present.

5. Quorum

- 5.1 The quorum for a meeting is 2. Each member appointed under 3.1 and present shall have one vote; if votes are equal the Chair has a casting vote. A member may be present and included in the number counted for the quorum if attending by telephone or other audio or audio visual link.
- 5.2 In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

6. Meeting Arrangements

- 6.1 The Committee will meet at least three times between each AGM.
- 6.2 The Society Secretary, or his or her nominee, shall act as Secretary of the Committee and will ensure that Committee members receive notice of each meeting at the same time, with the agenda and relevant meeting papers in sufficient time to enable full and proper consideration to be given to issues.

7. Minutes of Meetings

- 7.1 Minutes of the proceedings and resolutions of all meetings shall be kept and will include the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to all other members of the Board.

8. Reporting Responsibilities

- 8.1 The Committee Chair shall report to the Board on its proceedings after each Committee meeting.
- 8.2 The Chair of the Committee shall respond to any questions on the Committee's activities at the Annual General Meeting.
- 8.3 The Chair of the Committee shall review the Committee's performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes to the Board.

9. Authority and Rights

- 9.1 The Committee may investigate any activity within its terms of reference.
- 9.2 The Committee may set priorities for internal audit work.
- 9.3 The Committee may seek any information it requires from employees and external advisors, and all employees should co-operate with its requests.
- 9.4 The Committee may direct either the external or internal auditors to undertake or commission investigations on its behalf and to follow up on any suspicions of fraud.
- 9.5 The Committee may obtain external professional advice at the Society's reasonable expense.

MEMBER RELATIONS COMMITTEE

Terms of Reference

1. Purpose

The purpose of the Member Relations Committee (the “Committee”) is to ensure that there are appropriate arrangements in place to facilitate dialogue between members of the Society and the Board, and to ensure the fair and appropriate treatment of members with a view to supporting the Society’s strategy to:

- 1.1 aim to be the chosen provider to the Police Service in London;
- 1.2 attract new members, maintain existing ones and promote the Society generally; and
- 1.3 increase the take-up of the Society’s products.

2. Duties and Responsibilities

To meet its purpose the Committee shall:

- 2.1 annually review management’s plans for the year for facilitating member engagement including participation in the Annual General Meeting, and gaining relevant insight from members and non-members;
- 2.2 review the process for ensuring that member complaints are identified, recorded and promptly addressed;
- 2.3 review management information on complaints and comments received, including any trends and root cause analysis;
- 2.4 review persistency reports and management information showing service level performance, and arising from exit surveys;
- 2.5 review directors’ attendance at member events and receive reports from the Senior Independent Director and other directors arising from their attendance at such meetings and other interactions (formal and informal) with members; and
- 2.6 review any key communications sent to members (excluding regular marketing and policy communications) to ensure that they are clear and concise;
- 2.7 review proposals for changes to member benefits (ie additional benefits, not policy benefits) and any reports from management in response to issues of concern raised by members that the Committee has asked it to investigate.

3. Membership

- 3.1 The Chair of the Society, the Senior Independent Director and the Sales and Marketing Director shall be ex-officio members of the Committee. In addition, at the first meeting after each AGM the Board will appoint from its non-executive Directors the Chair of the Committee (who may not be the Chair of the Society) and taking into account any recommendations from the Nomination and Governance Committee, at least two other non-executive Directors, and from its executive Directors up to two other members.
- 3.2 The Committee may also co-opt up to two further non-executive members who need not be Directors and an additional employee of the Society, but if co-opted they will not be entitled to vote and will not count towards the quorum.

4. Attendance at Meetings

Other Directors, employees of the Society and external advisors may attend by invitation of the Committee.

5. Quorum

- 5.1 The quorum for a meeting is 3. Each member appointed under 3.1 and present shall have one vote; if votes are equal the Committee Chair has a casting vote. A member may be present and included in the number counted for the quorum if attending by telephone or other audio or audio visual link.
- 5.2 In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

6. Meeting Arrangements

- 6.1 The Committee will meet at least twice between each AGM.
- 6.2 The Society Secretary, or his or her nominee, shall act as Secretary of the Committee and will ensure that Committee members receive notice of each meeting at the same time, with the agenda and relevant meeting papers in sufficient time to enable full and proper consideration to be given to issues.

7. Minutes of Meetings

- 7.1 Minutes of the proceedings and resolutions of all meetings shall be kept and will include the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to all other members of the Board.

8. Reporting Responsibilities

- 8.1 The Committee Chair shall report to the Board on its proceedings after each Committee meeting.
- 8.2 The Chair of the Committee shall respond to any questions on the Committee's activities at the Annual General Meeting.
- 8.3 The Chair of the Committee shall review the Committee's performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes to the Board

9. Authority and Rights

- 9.1 The Committee may investigate any activity within its terms of reference.
- 9.2 It should only incur significant costs with the agreement of the Board or subject to a special budget granted by the Board for a specific purpose.
- 9.3 The Committee may seek any information it requires from employees and external advisors, and all employees should co-operate with its requests.
- 9.4 The Committee may direct internal resources and/or external advisors to undertake or commission investigations on its behalf and to follow up with action when appropriate.

July 2016

NOMINATION AND GOVERNANCE COMMITTEE

Terms of Reference

1. Purpose

The purpose of the Nomination and Governance Committee (the “Committee”) is to oversee the Society’s senior management arrangements and to recommend to the Board matters relating to the appointment of Executive and Non-executive Directors and individuals performing Senior Insurance Management Functions (SIMF) roles; whilst keeping the Board’s governance arrangements under review and making appropriate recommendations to ensure their consistency with appropriate and proportionate governance practices.

2. Duties and Responsibilities

2.1 The Committee shall:

Board Composition and Membership

- 2.1.1 regularly (at least annually and whenever a vacancy arises on the Board) review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- 2.1.2 be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, taking into consideration issues including skills, diversity (including gender) and the benefits of maintaining strong links with the affinity group served within the police service, such searches being conducted, and recommendations being made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender;
- 2.1.3 make recommendations concerning the appointment of any Director to executive or other office other than to the positions of Chair of the Society and Chief Executive. The recommendations for these posts would be considered at a meeting of:
 - 2.1.3.1 all the non-executive Directors regarding the position of Chief Executive; and
 - 2.1.3.2 all the Directors regarding the position of Chair of the Society

Succession Planning

- 2.1.4 review and make recommendations to the Board at least annually for Board succession plans over the longer term, particularly as regards the Chair of the Society and the Chief Executive, in order to maintain an appropriate balance of skills, experience, independence and knowledge and diversity to ensure progressive refreshing of the Board.;
- 2.1.5 keep under review the leadership needs of the organisation at varying levels with a view to ensuring the continued ability to compete effectively in the organisation’s marketplace;

Corporate Governance

- 2.1.6 review the Society’s Governance Map and the allocation of SIMF responsibilities and any proposed changes, prior to them being submitted for approval by the Board; and
- 2.1.7 keep under review the structure and membership of the Board’s committees and their terms of reference and recommend any suggested changes to the Board;
- 2.1.8 review and recommend to the Board for approval the Corporate Governance Report for inclusion in the Annual Report, including the Society’s compliance with the Annotated UK Corporate Governance Code for Mutual Insurers.

Training

- 2.1.9 The Committee shall ensure there is a suitable induction process for new Directors and that an appropriate on-going training programme is in place for existing Directors and Board committee members.

- 2.2 The Committee shall also make recommendations to the Board:
- 2.2.1 as regards the re-appointment of any non-executive Director at the conclusion of his or her specified term;
 - 2.2.2 for the continuation (or not) in service of any Director who has reached the age of 70; and
 - 2.2.3 concerning any matters relating to the continuation in office as a Director of any director at any time.
- 2.3 The duties of the Committee shall be to determine, organise and monitor such training for Board members as it shall deem necessary and appropriate.

3. Membership

The Chair of the Society shall be an ex-officio member of the Committee. In addition, at the first meeting after each AGM the Board will appoint from its non-executive Directors the Chair of the Committee (who may be the Chair of the Society) and at least one other member, or two if the Committee Chair is the Chair of the Society.

4. Attendance at Meetings

- 4.1 The Senior Independent Director has the right to attend meetings.
- 4.2 Other Directors, employees of the Society and external advisors may attend by invitation of the Committee.

5. Quorum

- 5.1 The quorum for a meeting is 2. Each member appointed under 3 and present shall have one vote; if votes are equal the Chair has a casting vote. A member may be present and included in the number counted for the quorum if attending by telephone or other audio or audio visual link.
- 5.2 In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

6. Meeting Arrangements

- 6.1 The Committee shall meet at least twice between each AGM.
- 6.2 The Society Secretary, or his or her nominee, shall act as Secretary of the Committee and will ensure that Committee members receive notice of each meeting at the same time, with the agenda and relevant meeting papers in sufficient time to enable full and proper consideration to be given to issues.

7. Minutes of Meetings

- 7.1 Minutes of the proceedings and resolutions of all meetings shall be kept and will include the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to all other members of the Board.

8. Reporting Responsibilities

- 8.1 The Committee Chair shall report to the Board on its proceedings after each Committee meeting.
- 8.2 The Chair of the Committee shall respond to any questions on the Committee's activities at the Annual General Meeting.
- 8.3 The Chair of the Committee shall review the Committee's performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes to the Board

9. Authority

- 9.1 The Committee may investigate any activity within its terms of reference.
- 9.2 The Committee may seek any information it requires from employees and external advisors, and all employees should co-operate with its requests.
- 9.3 The Committee may obtain external professional advice at the Society's reasonable expense.

July 2016

REMUNERATION COMMITTEE

Terms of Reference

1. Purpose

The purpose of the Remuneration Committee (the “Committee”) is to oversee and to recommend to the Board matters relating to the remuneration of Executive and Non-executive Directors.

2. Duties and Responsibilities

- 2.1 The Committee shall make recommendations to the Board concerning the remuneration of non-executive Directors.
- 2.2 The Committee is authorised to determine the policy for Executive remuneration and the remuneration packages for each of the Executive Directors as directed by the Board. The Committee is to give the Executive Directors every encouragement to enhance the Society’s performance and to ensure that they are fairly, but responsibly, rewarded for their individual contributions.
- 2.3 The duties of the Committee shall be to:
 - 2.3.1 determine the remuneration package and policy for Executive Directors and other Executives as directed by the Board and submit proposals to the Board for approval;
 - 2.3.2 agree Service Contracts for Executive Directors and other Executives as directed by the Board and review it regularly;
 - 2.3.3 receive details of the Review of Staff Remuneration carried out by the Chief Executive; and
 - 2.3.4 review the impact of any Committee decision on Board Remuneration to be disclosed in the Annual Report and Accounts.

3. Membership

The Chair of the Society and the Senior Independent Director shall be ex-officio members of the Committee. In addition, at the first meeting after each AGM, taking into account any recommendations from the Nomination and Governance Committee, the Board will appoint from its non-executive Directors the Chair of the Committee (who may not be the Chair of the Society) and at least one other member, or two if the Committee Chair is the Senior Independent Director.

4. Attendance at Meetings

Directors, employees of the Society and external advisors may attend by invitation of the Committee.

5. Quorum

- 5.1 The quorum for a meeting is 2. Each member appointed under 3 and present shall have one vote; if votes are equal the Chair has a casting vote.
- 5.2 In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

6. Meeting Arrangements

- 6.1 The Committee shall meet at least once between each AGM.
- 6.2 The Society Secretary, or his or her nominee, shall act as Secretary of the Committee and will ensure that Committee members receive notice of each meeting at the same time, with the agenda and relevant meeting papers in sufficient time to enable full and proper consideration to be given to issues.

7. Minutes of Meetings

- 7.1 Minutes of the proceedings and resolutions of all meetings shall be kept and will include the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to all other members of the Board.

8. Reporting Responsibilities

- 8.1 The Committee Chair shall report to the Board on its proceedings after each Committee meeting.
- 8.2 The Chair of the Committee shall respond to any questions on the Committee's activities at the Annual General Meeting.
- 8.3 The Chair of the Committee shall review the Committee's performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes to the Board.

9. Authority

- 9.1 The Committee may investigate any activity within its terms of reference.
- 9.2 The Committee may seek any information it requires from employees and external advisors, and all employees should co-operate with its requests.
- 9.3 The Committee may obtain external professional advice at the Society's reasonable expense.

July 2016

RISK AND INVESTMENT COMMITTEE

Terms of Reference

1. Purpose

- 1.1 The purpose of the Risk, Finance and Investment Committee (the “Committee”) is to provide an independent oversight of the Society’s systems of risk management, internal control financial reporting and investment control, and to enable the Society’s risk management, financial management, including investment strategy and with-profits business, to be reviewed in greater detail than at regular Board meetings.
- 1.2 In addition, the Committee will review the principles underlying the following areas:
 - 1.2.1 risk appetite, risk strategy and risk control;
 - 1.2.2 capital management of the Society and assessment of regulatory capital requirements;
 - 1.2.3 the Society’s investment strategy including the appointment of new fund managers;
 - 1.2.4 product pricing for all the Society products;
 - 1.2.5 expense analysis, and
 - 1.2.6 the regulatory returns including the Society’s ORSA, SFCR and RSR; and shall report the results of its reviews to the Board.

2. Duties and Responsibilities

- 2.1 To meet its purpose the Committee shall:

Risk Management

- 2.1.1 advise the Board on the Society’s overall risk appetite, tolerance and strategy, taking account of the current and prospective financial and macroeconomic environment;
- 2.1.2 oversee and advise the Board on the current risk exposures of the Society and future risk strategy;
- 2.1.3 keep under review the Society’s overall risk assessment processes and the reporting of the principal risks detailed in the risk register, ensuring appropriate qualitative and quantitative measures are used;
- 2.1.4 review the management of any material risk events and the implementation of any appropriate remedial actions
- 2.1.5 review new and emerging risks and the process for identifying them;
- 2.1.6 advise the Board on the risk implications of proposed strategic changes or strategic transactions, ensuring appropriate due diligence is undertaken if appropriate;
- 2.1.7 keep under review the effectiveness of the Society’s internal financial controls, its risk management systems and oversee the preparation of the risk sections of the Annual Report;
- 2.1.8 oversee controls over IT systems and risk, including data security; and
- 2.1.9 review the Society’s reinsurance arrangements and any material changes recommended by management.

Finance and Investments

- 2.1.10 make recommendations to the Board on key financial issues involved in managing the business;
- 2.1.11 examine premium rates and pricing for the Society’s products on launch and when otherwise reviewed;
- 2.1.12 review any material issues raised by the With-Profits Non-Executive Director (“WPNE”) in more detail on behalf of the Board;
- 2.1.13 review all reports, and any material issues raised, by the Chief Actuary and the With Profits Actuary;
- 2.1.14 review at least annually the investment strategy;

- 2.1.15 approve the plans proposed to implement the investment strategy, including the selection of individual investments. Note that providing a transaction is within the approved plan, it may be delegated to the Chief Executive Officer, or to the CEO and the Committee Chair jointly for equity and property transactions exceeding £500,000.
- 2.1.16 review the investment performance;
- 2.1.17 review overall expense budget and report to Board on consistency with Business Plan; and
- 2.1.18 approve the detailed annual budgets for the Society, and review performance against such budgets.

Internal Controls

- 2.1.19 review the Society's statement on internal control systems and make appropriate recommendations to the Board;
- 2.1.20 consider the findings of any internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where appropriate).

2.2 The responsibilities of the Committee shall be to:

- 2.2.1 review and challenge where necessary, the actions and judgements of management, in relation to any Risk and Investment Committee matters before submission to the Board;
- 2.2.2 consider and approve the remit of the risk management function and ensure it has adequate resources to enable it to perform its function
- 2.2.3 review the strategy for IT systems;
- 2.2.4 review budget holders' limits and authorities and make recommendations to the Board for approval;
- 2.2.5 monitor and report material expenditure; and
- 2.2.6 review all material risks and risk profiles as described in the Society's Risk Policy, including risk appetites and tolerances.

In order to assist the Committee, management shall produce quarterly accounts, investment and IT reports. The Committee shall keep these reports under review, with a formal review at the end of each year.

3. Membership

The Chair of the Audit & Compliance Committee and the With-Profits Non-Executive Director shall be ex-officio members of the Committee. In addition, at the first meeting after each AGM the Board, taking into account any recommendation from the Nomination and Governance Committee will appoint from its non-executive Directors the Chair of the Committee (who may also be the WPNE) and at least one other member, and from its executive Directors up to three other members; subject to a majority of the members being non-executive Directors.

4. Attendance at Meetings

- 4.1 The Chair of the Society and the Senior Independent Director have the right to attend meetings.
- 4.2 Other Directors, employees of the Society and external advisors may attend by invitation of the Committee.

5. Quorum

- 5.1 The quorum for a meeting is 4. A member may be present and included in the quorum for the meeting if attending by telephone or other audio or audio visual link. Each member appointed under 3 and present shall have one vote; if votes are equal the Chair has a casting vote.
- 5.2 In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

6. Meeting Arrangements

- 6.1 The Committee will meet at least three times between each AGM.
- 6.2 The Society Secretary, or his or her nominee, shall act as Secretary of the Committee and will ensure that Committee members receive notice of each meeting at the same time, with the agenda and relevant meeting papers in sufficient time to enable full and proper consideration to be given to issues.

7. Minutes of Meetings

- 7.1 Minutes of the proceedings and resolutions of all meetings shall be kept and will include the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated to all members of the Committee and to all other members of the Board.

8. Reporting Responsibilities

- 8.1 The Committee Chair shall report to the Board on its proceedings after each Committee meeting.
- 8.2 The Committee shall compile a report on its activities to be included in the Society's annual report, including an explanation of how the Committee has addressed its responsibilities for risk management during the year.
- 8.3 The Chair of the Committee shall respond to any questions on the Committee's activities at the Annual General Meeting.
- 8.4 The Chair of the Committee shall review the Committee's performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes to the Board.

9. Authority and Rights

- 9.1 The Committee may investigate any activity within its terms of reference.
- 9.2 The Committee may seek any information it requires from employees and external advisors, and all employees should co-operate with its requests.
- 9.3 The Committee may obtain external professional advice at the Society's reasonable expense.

July 2016

SENIOR INDEPENDENT DIRECTOR

Terms of Reference

1. Purpose

The purpose of the Senior Independent Director (“SID”) is to provide a sounding board for the Chair of the Society and to serve as an intermediary for the other Directors when necessary. The SID should be available to Society members if they have concerns which contact through the normal channels of Chair of the Society, Chief Executive or other executive Directors has failed to resolve or for which such contact is inappropriate. The SID is expected to attend the Society’s AGM and a cross-section of other events each year where members are normally present to provide opportunities to hear their views and any concerns.

2. Duties and Responsibilities

2.1 The SID will:

- 2.1.1 be available to Society members if they have concerns which contact through the normal channels of Chair of the Society and/or Chief Executive have failed to resolve or for which such contact is inappropriate; and
- 2.1.2 attend sufficient meetings with Society members to obtain a balanced understanding of the issues and concerns of such members.

2.2 The SID will:

- 2.2.1 chair the Nomination Committee when it is considering succession to the role of Chair of the Society;
- 2.2.2 meet with the non-executive Directors at least once a year to appraise the performance of the Chair of the Society and on such other occasions as are deemed appropriate; and
- 2.2.3 liaise with the Secretary to the Board in the event that NEDs consider independent professional advice is required.

3. Appointment

The SID shall be appointed by the Board at its first meeting after each AGM and will be an ex-officio member of the Nomination and Governance Committee, and the Member Relations Committee. The SID thus appointed must have the appropriate skills, knowledge and experience to perform the role set out in 2.1 and 2.2 above.

4. Frequency of Meetings

The SID will normally meet with:

- 4.1 Society members as often as the SID considers reasonably appropriate to obtain a balanced understanding of the issues and concerns of such members; and
- 4.2 the non-executive Directors at least once a year to appraise the performance of the Chair of the Society and on such other occasions as are deemed appropriate.

5. Authority and Rights

5.1 The SID must:

- 5.1.1 advise the Board on the issues and concerns of members of the Society; and
- 5.1.2 assess the performance of the Chair of the Society at least annually, and report its view to the Board.

5.2 The Senior Independent Director will have a right of attendance at all Committee meetings.

6. Reporting Procedures

The SID will report directly to the Board.

July 2016

WITH-PROFITS ADVISORY ARRANGEMENT
(WITH-PROFITS NON-EXECUTIVE DIRECTOR)

Terms of Reference

1. Purpose

The purpose of the With-Profits Non-Executive Director (“WPNE”) is to enable the Society’s management of its with-profits business to be reviewed in greater detail than at regular Board meetings, and to provide independent judgement as required by the FCA. In particular, the Board has directed the WPNE to oversee:

- 1.1 the Principles and Practices of Financial Management (“PPF”); and
- 1.2 bonus recommendations to the Board.

2. Duties and Responsibilities

2.1 The WPNE shall assess, report on, and provide clear advice and, where appropriate, recommendations to the Board on:

- 2.1.1 the way in which the Society’s with-profits fund is managed and whether this is properly reflected in the Society’s PPF;
- 2.1.2 whether the Society is complying with the principles and practices set out in the PPF;
- 2.1.3 whether the Society has addressed effectively the conflicting rights and interests of with-profits policyholders and other policyholders or stakeholders in a way that is consistent with FCA Principle 6 (treating customers fairly); and
- 2.1.4 any other issues with which the Board or WPNE considers with-profits policyholders might reasonably expect the WPNE to be involved

2.2 The responsibilities of the WPNE shall be to give appropriate consideration to:

- 2.2.1 the identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy;
- 2.2.2 how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
- 2.2.3 the relative interests of policyholders with and without valuable guarantees;
- 2.2.4 with-profits customer communications such as annual policyholder statements and product literature and whether the WPNE wishes to make a statement or report to with-profits policyholders in addition to the annual report made by the Society;
- 2.2.5 any significant changes to the risk or investment profile of the with-profits fund including the management of material illiquid investments and the Society’s obligations in relation to strategic investments;
- 2.2.6 the Society’s strategy for future sales supported by the assets of the with-profits fund and its impact on surplus;
- 2.2.7 the impact of any management actions planned or implemented;
- 2.2.8 relevant management information such as customer complaints data (but not necessarily information relating to individual customer complaints);
- 2.2.9 the drafting, review, updating of and compliance with run-off plans, court schemes and similar matters; and
- 2.2.10 the costs incurred in operating the with-profits fund;
- 2.2.11 assess the impact of regulatory developments, including “Treating Customers Fairly” (“TCF”), that affect the management of the Society’s with-profits business and make recommendations to the Board, as appropriate;
- 2.2.12 review the With Profits Actuary’s (“WPA”) (and other external parties’) advice and make recommendations to the Board on the key decisions needed to manage its with-profits business, including surrender value bases and market value adjustments; and
- 2.2.13 report to members any relevant or exceptional issues as the WPNE determines.

- 2.3 The WPNEED shall carry out any other tasks and exercise responsibilities set out in the Conduct of Business Sourcebook, being part of the Handbook of Rules and Governance published by the Financial Conduct Authority (COBS).
- 2.4 The Society undertakes to provide the WPNEED with such resources necessary to carry out the role, including, but not limited to, matters covered in COBS.

3. Appointment

The WPNEED will be appointed by the Board at its first meeting after each AGM. The WPNEED thus appointed must have the appropriate skills, knowledge and experience to perform the role set out in 2.1 and 2.2 above. The WPNEED shall be an ex-officio voting member of the Risk and Investment Committee.

4. Frequency of Meetings

The WPNEED will normally meet with the Society's management at least four times a year including two meetings attended by the WPA.

5. Authority and Rights

- 5.1 The WPNEED may investigate any activity within his/her terms of reference and may seek any information he/she requires from employees and external advisors, and all employees should cooperate with his/her requests.
- 5.2 The WPNEED will work closely with the WPA and obtain the WPA's opinion and input as appropriate.
- 5.3 The WPNEED must:
- 5.3.1 advise the Board on the suitability of candidates proposed for appointment as the WPA; and
 - 5.3.2 assess the performance of the WPA at least annually, and report its view to the Board.
- 5.4 The WPNEED may obtain outside professional advice, and may communicate with members regarding matters affecting with-profit policyholders which the WPNEED believes have not been satisfactorily addressed by the Society, at the Society's reasonable expense.

6. Reporting Procedures

The WPNEED will report direct to the Board. The Risk & Investment Committee may consider matters in more detail on behalf of the Board, where appropriate.

July 2016