

METFRIENDLY BOARD OF DIRECTORS

Terms of Reference

1. Introduction & Objectives

The primary decision making body of the Metropolitan Police Friendly Society Limited ("Society") is the Board of Directors ("the Board").

- 1.1 Subject to the provisions of the Friendly Societies Act 1992 ("the Act"), the Society Memorandum and the Society's Rules and to any directions given by special resolution, the business of the Society shall be managed by the Board who may exercise all the powers of the Society.
- 1.2 The primary objectives of the Board, notwithstanding the requirements contained within the legal and regulatory framework in which the Society operates, are to:
 - (i) collectively express the aspirations of the Society's membership,
 - (ii) set the overall values and principles of the organisation, and
 - (iii) ensure the strategic vision and decisions taken by the Board in relation to membership, relationships with the police service and product/service provision & development uphold the Society's reputation.

2. Membership of the Board

- 2.1 The Board shall consist of not more than 11 nor (subject to the provisions for rule 25(6)) less than 5 members and may, from time to time, resolve the number who together shall constitute the Board within these limitations.
- 2.2 The Chief Executive who has responsibility for the day-to-day management of the regulated activities of the Society will be an executive member of the Board. Other executive and non-executive directors will also form part of the Board together with the Chair of the Board.
- 2.3 At its first meeting after every Annual General Meeting (AGM) the Board shall elect from its non-executive members a Chair. The Chair shall hold office until the commencement of the first meeting of the Board held after the next AGM unless he or she shall cease in the meantime to be a Director or shall resign the office.
- 2.4 The Chair shall preside at all meetings of the Board at which he or she is present.
- 2.5 If the Chair, so elected, shall be absent from a meeting of the Board or shall decline to act as Chair, the Directors present at that meeting shall elect a Director to be Chair for the purposes of that meeting.
- 2.6 At its first meeting after every AGM, the Board shall appoint Chairs to each of its committees (except the Audit & Compliance Committee who shall appoint their own Chair) who shall be non-executive Officers.
- 2.7 The Board may at any time remove any of the non-executive Officers from office.
- 2.8 The Board may remove the Chair from such office at any time.
- 2.9 The Board shall fill from its number any casual vacancy (whether or not arising from the exercise of its power) and the relevant non-executive Officer or Officers so elected shall hold office until the commencement of the first meeting of the Board held after the next AGM, unless he or she shall cease in the meantime to be a Director or shall resign the office.
- 2.10 The Society's Secretary shall be the secretary of the Board.

3. Election & Appointment as a Director

3.1 (1). No individual shall be elected or appointed as a Director unless:

Either;

(a) he or she will be less than 70 years of age at the date on which the election, or in the case of an appointment under rule 25, the appointment, would take effect;

or

(b) he or she will be more than 70 years of age at the date on which the election would take effect, he or she has been approved by resolution of the Board as eligible for election, and his or her age and the reasons for the Board's approval of his or her eligibility have been notified to every person entitled to vote at the election;

and

(c) he or she is not aged under 18,

and

(d) (except in the case of appointment under rule 25 or where a Director retires under rule 26), a form nominating him or her, signed by not less than 3 Members who comply with the requirements of paragraph (3) below and addressed to the Chief Executive, has been delivered at the Registered Office during the hours of public business of the Society between the first and fifteenth days of the last month of the financial year preceding the AGM at which the vacancy in respect of which he or she is nominated is to be filled.

The nomination form shall contain the full name, address, age and occupation of the person nominated, his or her consent to be so nominated, and the full names and addresses of the Members proposing his or her nomination. The nomination form shall be dated with the date of its delivery at the Registered Office and that date shall be deemed to be the date of nomination for the purpose of paragraph (3) below.

(2). In exercise of its duties pursuant to rule 15(4)(a) the Board may require any individual nominated for election as a Director to supply in writing such forms as the Board may specify, evidence as to his or her qualifications, financial and managerial experience, creditworthiness, competence and character and to complete in draft any form or questionnaire that, if elected, he or she would be required to submit to any regulatory authority in accordance with the Act.

(3). The requirements with which a Member must comply in order to be eligible to nominate an individual as a Director are as follows:

(a) he or she must have been a Member for not less than 2 years before the date of nomination; and

(b) he or she must not be in arrears with his or her contributions; and

(c) he or she must not be aged under 18 at that date.

(4) If a vacancy arises on the Board after the last day of the financial year and before the conclusion of the AGM held in the succeeding financial year by reason of the death or disqualification of any retiring Director who was seeking re-election, the Board may reduce the number of vacancies to be filled at the AGM by one in respect of each such event and any remaining vacancy on the Board shall be and become a vacancy which the Board has power to fill under rule 25.

(5) Where a person becomes or ceases to be a Director, the Society shall within one month give notice of that fact to the Regulator. The notice shall state the person's full name and address and the date on which he or she became, or ceased to be a Director and, in the case of a person becoming a Director, the date of his or her birth.

4. Duties of the Board

Without prejudice to the generality of the foregoing paragraphs, the duties of the Board are to:-

- 4.1 Elect its Chair
- 4.2 Appoint a Chief Executive with for the day-to-day management of the regulated activities of the Society
- 4.3 Appoint, and terminate when necessary, the services of a Chief Actuary and a With-Profits Actuary
- 4.4 With the advice of the Chief Actuary/With-Profits Actuary:
 - (i) develop and approve the distribution of surpluses and bonuses,
 - (ii) amend terms of contributions and benefits of existing products,
 - (iii) develop new products,
 - (iv) approve the investment of surplus funds, in whatever form, over and above those required to meet anticipated liabilities,
 - (v) review the Society's financial standing, which includes the Society's solvency capital requirements in respect of its long-term business as required by the Act/PRA
 - (vi) review the draft financial statements prior to final submission to the Board for approval
 - (vii) review the methodology, robustness of the underlying assumptions and set the basis for actuarial valuations and capital measurements
- 4.5 Approve nominations for election of the non-executive directors it considers necessary to provide independent scrutiny of the activities of the Chief Executive. Through their participation in other corporate committees, exercise influence over other significant aspects of the Society's activities. The Nomination and Governance Committee will make recommendations for nomination.
- 4.6 Deliver and oversee a system of committees and, when considered necessary, sub-committees to act as part of the overall control and review framework of the Society. The Board will be appraised of significant changes to the composition of these committees and/or their terms of reference in order to ensure that the operation of these committees remains within the scope of the responsibilities of the Chief Executive and Board.
- 4.7 Agree & set the Society risk appetite which will provide the basis for decision making, reporting and operations of the society.
- 4.8 Consider and report to with-profits policyholders and Financial Conduct Authority (FCA) as required, on its exercise of discretion in the conduct of with-profits business and compliance with the Principles and Practices of Financial Management (PPFM).

5. Responsibilities of the Board

Without prejudice to the generality of the foregoing paragraphs, the responsibilities of the Board are to:-

- 5.1 Develop an overall vision and strategy for the Society to deliver performance against long term objectives.
- 5.2 Guide & oversee the Society Leadership team in the delivery of an Annual Business Plan and associated Budget compatible with the strategic aims of the Society. The business plan must be sufficiently robust to identify and manage risks to the long-term objectives of the Society.
- 5.3 Approve the Annual Business Plan and Budget, ensuring that risks to the Annual Business Plan and Budget have been considered appropriately.
- 5.4 Oversee and ratify where appropriate proposals for business development that may include the formation of additional subsidiary operations and other associations with third parties, giving due regard to the impact they may have on the strategy and risk profile of the Society.

- 5.5 Oversee the development and approval of an investment policy commensurate with the aims and objectives of the Society and to monitor investment performance in conjunction with the Risk & Investment Committee
- 5.6 Ensure the direction and management of all affairs and business of the Society are carried out;
 - (i) by a sufficient number of persons fit and proper to be Directors or other Officers, in their respective positions;
 - (ii) with prudence and integrity;
 - (iii) in the best interest of the Members and in accordance with best practice; and
 - (iv) in accordance with the Memorandum, the Rules and the Act.
- 5.7 Supervise the activities of any controlled body of the Society.
- 5.8 Make, vary or revoke regulations for the conduct of business at its meetings, including, but not limited to:
 - (i) voting rights, including casting votes;
 - (ii) special meetings, and
 - (iii) minutes of meetings
- 5.9 Pay out of the funds of the Society the expenses of the Society and such sums as the Board may deem necessary or expedient to be paid in the interests of the Society. No Director (other than a holder of any executive office) shall receive any payment save as is authorised by the rules, or as approved at a General or Special Meeting;
- 5.10 Make, vary or revoke regulations for the conduct of all affairs and business of the Society, provided that the same are not inconsistent with the memorandum or the rules, or the Act;
- 5.11 Authorise the use of all forms, instruments and other documents that it may deem necessary for the proper conduct of the business of the Society.
- 5.12 Make decisions relating to membership and relationships with the Police including:
 - (i) Articulating the aspirations of the membership including general expectations of the standards of customer service and reputation of the Society and its subsidiaries, and receive reassurance from the Chief Executive and Committees that these aspirations are being met by the internal systems of governance and management and range of products and services offered by the Society and any subsidiaries
 - (i) Receiving comfort that the Police family nature of the membership is being upheld by the Society's products and services; and
 - (ii) Providing the Chief Executive and Committees with guidance based upon the Board's understanding of any competing requirements within the Police service in general, in order that the Society can deliver the greatest benefit to its membership.
- 5.13 Ensure Conduct and fair treatment of members, prospects and staff is centric to all undertakings of the Society.
- 5.14 Seek advice from the With-Profits Actuary on key aspects of the discretion to be exercised affecting the with-profits business of the Society. The Board will need to consider the annual report from the With-Profits Actuary on the exercise of this discretion.
- 5.15 Approve the Society's risk management system, including risk related policies, structures and information that is sufficient for it to exercise its risk governance role.
- 5.16 Establish a system of management information designed to ensure reports are received detailing issues relating to:
 - (i) risk and capital management, significant exposures and mitigating actions
 - (ii) review of the approach for determining regulatory capital and its approval
 - (iii) policies that may impact on risk-taking behaviour and long-term decision-making process
 - (iv) regulatory Compliance
 - (v) performance against the business plan and Key Performance Indicators and enable it to take any necessary corrective action.
- 5.17 Consider any matters relating to the regulated activities of the Society and in addition:
 - (i) approve individuals as authorised signatories of the Society
 - (ii) agree matters relating to officers' liability insurance
 - (iii) exercise the powers of the Board laid down in rule 15 of the Society's Rules dated May 2015 and as amended from time to time thereafter

- (iv) approve reasonable travelling, hotel and other expenses as might be incurred while attending the Society business of any officer of the Society and approve, by resolution of the Board, payment of professional or other work done on behalf of the Society by such people in addition to the person's usual services as an officer
- (v) appoint the Society's Secretary unless specifically delegated to a sub-committee
- (vi) approve resolutions to be put to general meeting to amend the Memorandum and Rules.
- (vii) approve notices for general meetings.

6. Reporting Responsibilities

- 6.1 The Chair of the Board and the Chief Executive shall attend general meetings prepared to respond to any questions on the Board's activities.
- 6.2 The Chief Executive will report on their activity at each Board meeting to enable the Board to understand the performance of the Society. The Chief Executive will appraise the Board of any matters of significance arising. It is anticipated that the above report would include an overall appraisal of the adequacy of the Society's solvency and liquidity produced with the advice of the Chief Actuary and upon which the Chief Executive will be required to provide satisfactory comfort as to the overall position. The Chief Executive will deliver to the Board an annual appraisal of performance against the business plan and, in particular, highlight where changes within the marketplace either accommodate or reduce the aspirations of the Society's membership. The Board should, following consideration of the annual report and any issues raised by the Audit Committee, approve the Annual Report and Accounts prior to submission to the AGM and recommend the appointment of Auditors for election at the AGM. The Chief Executive will comment upon any issues of control arising, and in particular issues arising from the Auditor's management letter, indicating where remedial actions may be required in order to protect the interests of the membership or to maintain compliance with the FCA's requirements in relation to Senior Management Arrangements, Systems and Procedures of Control. The With Profits Actuary will report to the Board on its compliance with the Society's PPFM, as monitored by the With-Profits NED, with particular reference to its impact on with-profits policyholders.
- 6.3 The Chair of the Board shall review the Board's performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes to the Board.

7. Authority and Rights

- 7.1 No alteration of the memorandum or rules and no direction as specified above shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given.
- 7.2 The validity of any proceedings or acts of the Board shall not be affected by any vacancy among its members or by any defect in the appointment of a Director.
- 7.3 The Board is authorised, when the fulfilment of its duties requires and at the Society's expense, to obtain independent legal or professional advice and secure the attendance of external advisers at its meetings on any matters within its terms of reference. The Board shall have full authority to commission any reports or surveys it deems necessary to help fulfil its obligations. The Board is authorised to seek any information it requires from any employee of the Society or its subsidiaries in order to perform its duties. The Board shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required
- 7.4 The Board may investigate any activity within its terms of reference.
- 7.5 The Board may set priorities for internal audit work.
- 7.6 The Board may seek any information it requires from employees and external advisors, and all employees should co-operate with its requests.
- 7.7 The Board 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.
- 7.8 Remuneration and Expenses of Officers:
 - (i) in respect of any Officers entitled to receive annual remuneration as Directors, such remuneration, (exclusive of any remuneration paid in respect of executive duties)

- (ii) shall be paid at a rate to be determined by the Board from time to time. This remuneration shall be divisible among the Officers in such proportion as may be agreed among them by a majority decision and, in default of agreement, in equal shares.
- (iii) in addition to such remuneration, any Director may be paid such reasonable travelling, hotel and other expenses as he might incur while attending Society business with the approval of the Board. He or she may also, by resolution of the Board, be paid for professional or other work done by him or her on behalf of the Society in addition to his or her usual services as an Officer.

8. Attendance at Board meetings

- 8.1 Only members of the Board have the right to attend Board meetings. However other individuals, such as members of the senior management team, other employees of the Society and external advisors may attend meetings at the invitation of the Chair of the Board.
- 8.2 Attendees are not members of the Board and they may collectively or individually be requested to withdraw from meetings of the Board if required to do so by the Chair of the Board.
- 8.3 The external auditor and internal auditor will each have the right to meet with the Board without executive Directors present.
- 8.4 Questions arising at a meeting of the Board shall be decided by a majority of votes and the Chair of the meeting shall have a second or casting vote at a meeting.

9. Quorum

- 9.1 Half the number of the Board shall form a quorum.
- 9.2 A quorum may be present in person or in communication with each other by telephone. To count in the quorum a person who is in communication with the others by telephone must be able to hear fully, and participate in, the proceedings.
- 9.3 A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Board.

10. Meeting Arrangements

- 10.1 The Board shall meet for business as often as it shall find necessary, but no less than three times in one calendar year.
- 10.2 Members of the Board or the Secretary may convene the Board at any time.
- 10.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Board no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Board members and to other attendees as appropriate at the same time. Ad hoc meetings to deal with unexpected or unusual events may be called at short notice.
- 10.4 The Society Secretary, or nominee, shall act as Secretary of the Board and will ensure that Board 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.

11. Minutes of Meetings

- 11.1 The Secretary shall keep appropriate records of all meetings with appropriate minutes of the proceedings and resolutions so as to provide evidence that the Board is discharging its responsibilities and as required by the record keeping requirements implicit within the FCA's Rules relating to the exercise of Senior Management Arrangements, Systems and Procedures of Control.
- 11.2 Board minutes are to be circulated by the Secretary to all members of the Board.
- 11.3 The Board may make decisions outside of meetings in writing provided all members of the Board sign to confirm their approval of the decision.
- 11.4 Minutes of all meetings will include the names of those present and in attendance.

REMUNERATION COMMITTEE

Terms of Reference

1. Purpose

The purpose of the Remuneration Committee (the “Committee”) is to oversee and to recommend to the Board the annual remuneration for the Non-Executive Directors and the remuneration structures and parameters of the packages for the Executive Directors, Senior Managers and SMF Holders, aligned to the sustainable long-term success of the organisation, taking into account pay and conditions elsewhere in the broader operating context.

2. Guiding Principles

- 2.1 Appropriate and fair levels of remuneration are imperative to enable organisations to secure high-quality directors, SMF Holders and senior management. Alignment between the remuneration of directors and senior management and an organisation’s performance should demonstrate the shared values, culture, long-term success and strategic aims of the Society. Our main guiding principles are that remuneration packages for our staff are such that:
- We recruit and retain the right people for the role
 - We incentivise staff to do their best
 - We will invest in our staff
 - We provide packages that we can afford; and
 - We achieve alignment of our staff with where the business is going
- 2.2 Directors, SMF Holders and senior management remuneration should be developed around principles that include fairness and consistency, relate to individual performance measures and incentives, and contribute to the retention of staff. These include a considered assessment of the organisation’s response to matters such as equality.
- 2.3 The Board should establish a clear policy on the transparency of remuneration structures that enable effective accountability to members/customers. Remuneration, including benefits, for directors, SMF Holders and senior management should consider the broader operating context of the organisation, including the pay and conditions of the wider workforce.

3. Duties and Responsibilities

- 3.1 The Committee is authorised to develop the policy for Directors, SMF holders, (who are not Non-Executive Directors), senior managers and make recommendations on remuneration packages, to the Board. The Committee is to give the Executive Directors, SMF Holders and senior managers every encouragement to enhance the Society’s performance and to ensure that they are fairly, but responsibly, rewarded for their individual contributions.
- 3.2 The duties of the Committee shall be to:
- 3.2.1 Review the remuneration package and policy (including CPD) for Directors, SMF holders and senior managers as directed by the Board and submit proposals to the Board for approval;

- 3.2.2 Review the general terms of contracts of employment for Directors, SMF holders and senior managers as directed by the Board and review them at least annually;
- 3.2.3 Review workforce remuneration policies and other related policies, and the alignment of incentives and rewards with culture and values, taking these into account when recommending the policy for Directors, SMF holder and senior manager remuneration.
- 3.2.4 Overseeing and recommending for approval to the Board, any proposed variable remuneration or bonus schemes.
- 3.2.5 Take responsibility for requiring the executive to commission reports from external remuneration consultants, including benchmarking studies.
- 3.2.6 Review the impact of any Committee decision on Board Remuneration to be disclosed in the Annual Report and Accounts
- 3.3 The Committee shall receive recommendations from the Chief Executive following the receipt and review of the reports commissioned in accordance with 3.2.5 above and make recommendations to the Board concerning the remuneration of non-executive directors.
- 3.4 The Committee shall liaise at least annually with the Nomination & Governance Committee regarding recruitment of SMF & Senior Leadership Team members during the year with regard to their total reward packages and terms and conditions of employment.

4. Membership

At the first meeting after each Annual General Meeting ("AGM"), taking into account any recommendations from the Nomination and Governance Committee, the Board will appoint from its Non- Executive directors the Committee Chair (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. At all times the Committee must have two independent non-executive members. The Chair of the Nomination and Governance Committee will be a member.

5. Attendance at Meetings

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

6. Quorum

- 6.1 The quorum for a meeting is two non-executives. Each member appointed under 4 and present, shall have one vote; if votes are equal the Chair has a casting vote.
- 6.2 In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

7. Meeting Arrangements

- 7.1 The Committee shall meet at least twice between each AGM.
- 7.2 The 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 sent in sufficient time to enable full and proper consideration to be given to issues

8. Minutes of Meetings

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

9. Reporting Responsibilities

- 9.1 The Committee Chair shall report to the Board on its proceedings after each Committee meeting.
- 9.2 The Committee Chair shall respond to any questions on the Committee's activities at the Annual General Meeting.
- 9.3 The Committee Chair 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 at least annually.
- 9.4 The Committee Chair shall develop and recommend to the Board for approval, the Remuneration report for inclusion within the Annual Report.

10. Authority and Rights

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

December 2019

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 Board, SMF and senior management recruitment arrangements and to recommend to the Board matters relating to the appointment and development of Senior Management Functions (SMF) roles; It is also responsible for 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

2.2 The Committee shall:

Board Composition and Membership

- 2.2.1 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;
- 2.2.2 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;
- 2.2.3 make recommendations to the Board for the Chairs and members of the various Committees at the first meeting after the AGM of the Board
- 2.2.4 make recommendations to the Board concerning the appointment of any SMF holder 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:
 - 2.2.4.1 all the non-executive directors regarding the position of Chief Executive; and
 - 2.2.4.2 all the directors regarding the position of Chair of the Society
- 2.2.5 The Committee shall liaise at least annually with the Remuneration Committee regarding recruitment of SMF & Senior Leadership Team members during the year with regard to their total reward packages and terms and conditions of employment.

Succession Planning

- 2.2.6 review and make recommendations to the Board at least annually for Board succession and contingency plans over the short and longer term, particularly as regards the Chair of the Society and the Chief Executive Officer, in order to maintain an appropriate balance of skills, experience, independence and knowledge and diversity to ensure progressive refreshing of the Board;
- 2.2.7 keep under review the leadership/development needs of the organisation for all senior managers and SMF holders with a view to ensuring the continued ability to compete effectively in the organisation’s marketplace;

- 2.3 The Committee shall also make recommendations to the Board:
- 2.3.1 as regards the re-appointment of any non-executive director at the conclusion of his or her specified term;
 - 2.3.2 for the continuation (or not) in service of any director who has reached the age of 70; and
 - 2.3.3 concerning any matters relating to the continuation in office as a director of any director at any time.

Corporate Governance

- 2.3.4 review the Society's Management Responsibilities Map and the allocation of responsibilities and any proposed changes, prior to them being submitted for approval by the Board; and
- 2.3.5 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;

Training and Development

- 2.3.6 The Committee shall ensure there is a suitable induction process for new senior managers and SMF holders and that an appropriate on-going training programme is in place for existing senior managers and SMF holders.
- 2.4 The duties of the Committee shall be to determine, organise and monitor such training for Board members as it shall deem necessary and appropriate.
- 2.5 The Committee shall be responsible for overseeing the development of a Talent Management Strategy and Supporting Training and Development policies.

2.6 Board Evaluation

The Committee shall be responsible for recommending to the Board the approach the Society takes to evaluation and for commissioning external and internal evaluation to an agreed timetable.

3. Membership

At the first meeting after each Annual General Meeting ("AGM") the Board will appoint from its non-executive directors the Committee Chair (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. The Chair of the Remuneration Committee will be a member of the Committee. The Chief Executive will be a member of the Committee.

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 request or by invitation of the Committee.

5. Quorum

- 5.1 The quorum for a meeting is 2 Independent Non-Executives. 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-visuallink.
- 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 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 Chair shall respond to any questions on the Committee's activities at the Annual General Meeting.
- 8.3 The Committee Chair 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 at least annually.
- 8.4 The Committee Chair shall develop 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.

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.

November 2019

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, including the Solvency and Financial Condition Report, Regulatory Supervisory Report and other key financial reports that contribute to the Society’s ORSA process, 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 Annual General Meeting (“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 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 Manager, 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 Committee Chair 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 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 Chair shall respond to any questions on the Committee's activities at the AGM.
- 8.3 The Committee Chair 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 at least annually.

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.

RISK AND INVESTMENT COMMITTEE

Terms of Reference

1. Purpose

- 1.1 The purpose of the Risk 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 products to ensure they remain appropriate for the target market
- 2.1.13 review any material issues raised by the With-Profits Non-Executive Director (“WPNE”) in more detail on behalf of the Board;
- 2.1.14 review all reports, and any material issues raised, by the Chief Actuary and the With Profits Actuary;
- 2.1.15 review at least annually the investment strategy;

- 2.1.16 approve the plans proposed to implement the investment strategy, including the selection of individual investments and the metrics against which performance will be assessed. 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.
- 2.1.17 review the investment performance and the risks taken to achieve such performance;
- 2.1.18 review overall expense budget and report to Board on consistency with Business Plan; and
- 2.1.19 approve the detailed annual budgets for the Society, and review performance against such budgets.

Internal Controls

- 2.1.20 review the Society's statement on internal control systems and make appropriate recommendations to the Board;
- 2.1.21 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

At the first meeting after each Annual General Meeting ("AGM") the Board, taking into account any recommendation from the Nomination and Governance Committee will appoint from its non-executive directors the Committee Chair (who may also be the WPNED) 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. The Chair of the Audit & Compliance Committee and the With-Profits Non-Executive Director shall be ex-officio members of the Committee.

4. Attendance at Meetings

- 4.1 If not a member of the Committee 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 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 Committee Chair shall respond to any questions on the Committee's activities at the Annual General Meeting.
- 8.4 The Committee Chair 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 at least annually.

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.

June 2019

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 and Governance 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 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 Annual General Meeting (“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.

June 2019

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 (“PPFM”); 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 PPFM;
- 2.1.2 whether the Society is complying with the principles and practices set out in the PPFM;
- 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 WPNED 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 WPNED with such resources necessary to carry out the role, including, but not limited to, matters covered in COBS.

3. Appointment

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

4. Frequency of Meetings

The WPNED 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 WPNED 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 WPNED will work closely with the WPA and obtain the WPA’s opinion and input as appropriate.
- 5.3 The WPNED 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 WPNED may obtain outside professional advice, and may communicate with members regarding matters affecting with-profit policyholders which the WPNED believes have not been satisfactorily addressed by the Society, at the Society’s reasonable expense.

6. Reporting Procedures

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