

# **AUDIT RISK AND FINANCE COMMITTEE**

## **Terms of Reference**

### **1. Purpose**

- 1.1 The purpose of the Audit Risk and Finance Committee (the “Committee”) is to provide an independent oversight of the Society’s systems of internal control, risk management and financial reporting, through the supervision and monitoring of the independence, quality and effectiveness of both the Society’s internal audit function and external auditors, and to enable the Society’s financial management, including investment strategy and with-profits business, to be reviewed in greater detail than is possible at regular Board meetings.
- 1.2 In addition, the Committee will review the principles underlying the following areas:
  - 1.2.1 capital management of the Society;
  - 1.2.2 product pricing for all the Society products;
  - 1.2.3 expense analysis;
  - 1.2.4 FSA returns, and
  - 1.2.5 risk strategy/appetite/control.

### **2. Duties and Responsibilities**

#### **2.1 Duties**

To meet its purpose the Committee shall:

- 2.1.1 examine the way in which management ensures and monitors the adequacy, extent and effectiveness of accounting and internal control systems;
- 2.1.2 review the arrangements established by management for compliance with regulatory and financial reporting requirements;
- 2.1.3 on behalf of the Board, undertake, monitor and review the policy relating to the audit of the Society;
- 2.1.4 review the statutory accounts and financial reports on behalf of the Board;
- 2.1.5 assess the impact of Regulatory developments and make recommendations to the Board;
- 2.1.6 oversee the preparation of the Annual Report;
- 2.1.7 make recommendations to the Board on key issues to manage the business, including:
  - 2.1.7.1 investment strategy; and
  - 2.1.7.2 new business volumes;
- 2.1.8 review any material issues raised by the With-Profits Independent Person (“WPIP”);
- 2.1.9 review the investment performance; and
- 2.1.10 review the risk register

#### **2.2 Responsibilities**

The responsibilities of the Committee shall be to:

- 2.2.1 consider the appointment of the external and internal auditor and assess independence of the external auditor;
- 2.2.2 meet, at least annually, with the external and internal auditors without the presence of Executive members;
- 2.2.3 recommend the audit fee to the Board and monitor any fees in respect of non audit services provided by the external auditor and to ensure that the provision of non audit services does not impair the external auditors’ independence or objectivity;
- 2.2.4 oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the members to consider at the AGM;
- 2.2.5 review the external Auditors’ management letter(s) and the management’s responses;
- 2.2.6 review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the Society;
- 2.2.7 ensure liaison between the external and internal auditor and compliance;
- 2.2.8 review and challenge where necessary, the actions and judgements of management, in relation to interim and final audits and any Audit Risk and Finance Committee matters before submission to the Board;
- 2.2.9 ensure appropriate account is taken of all audit issues and that management respond to weaknesses and issues highlighted by both internal and external audit reports;
- 2.2.10 review the Society’s statement on internal control systems and make appropriate recommendations to the Board;
- 2.2.11 annually (or more frequently if required) review the group’s risk assessment process;
- 2.2.12 consider the findings of any internal investigations into control weaknesses, fraud or misconduct and management’s response (in the absence of management where necessary);

- 2.2.13 receive and review reports from the Health and Safety Officer, Compliance Officer and Money Laundering Reporting Officer as appropriate;
- 2.2.14 receive and review an annual report on the Society's Business Contingency Plan;
- 2.2.15 be available to all Staff for the purpose of handling allegations from whistleblowers;
- 2.2.16 assess the impact of other regulatory developments, including "Treating Customers Fairly", that affect the management of the Society's with-profits and other business and make recommendations to the Board, as appropriate; and
- 2.2.17 ensure the risk register reflects the current risk situation and is used to drive both the Internal Audit plan and the internal systems and procedures.

In order to assist the Committee, management shall produce a quarterly financial report. The Committee shall keep the financial report under review, with a formal review at the end of each year.

### **3. Membership**

The Chairman 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 and at least three other members, including the independent person assigned to oversee with profits business.

### **4. Attendance at Meetings**

- 4.1 Directors, employees of the Society and external advisors may attend by invitation of the Committee only. The internal audit co-ordinator will attend to support the work of the Committee.
- 4.2 The external auditor and internal auditor will each have the right to meet with the Committee without Executive Directors present.

### **5. Quorum**

The quorum for a meeting is 2. Each member present shall have one vote; if votes are equal the Chair has a casting vote.

### **6. Frequency of Meetings**

The Committee will meet at least three times between each AGM.

### **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. Annual General Meeting**

The Chair of the Committee shall respond to any questions on the Committee's activities at the Annual General Meeting.

### **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 and, if necessary, invite any person with relevant experience to attend the meetings.

# **MARKETING COMMITTEE**

## **Terms of Reference**

### **1. Purpose**

The purpose of the Marketing Committee (the "Committee") is to enable the Society's marketing to be reviewed in greater detail than is possible at regular Board meetings. In particular, the Board has charged the Committee with providing direction and recommending strategy to:

- 1.1 attract new members, maintain existing ones and promote the Society generally;
- 1.2 increase the take-up of the Society's products; and
- 1.3 the member relations function.

### **2. Duties and Responsibilities**

To meet its purpose the Committee shall continuously:

- 2.1 review new business and persistency statistics;
- 2.2 review existing products and literature;
- 2.3 consider and recommend new products and literature;
- 2.4 examine all marketing activity and recommend changes;
- 2.5 monitor the effectiveness and establish the "value for money" of marketing;
- 2.6 review our presence on the intranet and Internet; and
- 2.7 monitor and review the member relations function.

### **3. Membership**

The Chairman 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 and at least three other members. In addition, the Committee shall include the Chief Executive, the Deputy Chief Executive, the IT systems Manager, and the Administration Manager.

### **4. Attendance at Meetings**

The Senior Independent Director has the right to attend meetings. Other Directors and other employees of the Society may attend by invitation of the Committee.

### **5. Quorum**

The quorum for a meeting is 4 including at least 2 non-executives. Each member present shall have one vote; if votes are equal the Chair has a casting vote.

### **6. Frequency of Meetings**

The Committee will meet at least twice between each AGM.

### **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. Annual General Meeting**

The Chair of the Committee shall respond to any questions on the Committee's activities at the Annual General Meeting.

### **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 It may seek any information it requires from any employee and all employees should co-operate with its requests.
- 9.4 The Committee may direct internal resources and/or external advisers to undertake or commission investigations on its behalf and to follow up with action when appropriate.
- 9.5 The Committee may invite consultants with relevant experience to attend the meetings.

# **NOMINATION AND REMUNERATION COMMITTEE**

## **Terms of Reference**

### **1. Purpose**

The purpose of the Nomination and Remuneration 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, where applicable, their remuneration.

### **2. Duties and Responsibilities**

2.1 The Committee shall:

- 2.1.1 regularly 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; and
- 2.1.3 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.

2.2 It shall also make recommendations to the Board:

- 2.2.1 as regards succession planning, in particular, of the Chairman and the Chief Executive;
- 2.2.2 concerning the appointment of any Director to executive or other office other than to the positions of Chairman and Chief Executive, the recommendation for which would be considered at a meeting of:
  - 2.2.2.1 all the non-executive Directors regarding the position of Chief Executive; and
  - 2.2.2.2 all the Directors regarding the position of Chairman;
- 2.2.3 as regards the re-appointment of any non-executive Director at the conclusion of his or her specified term;
- 2.2.4 for the continuation (or not) in service of any Director who has reached the age of 70; and
- 2.2.5 concerning any matters relating to the continuation in office as a Director of any director at any time.

2.3 The Committee is authorised to determine the policy for Executive remuneration and the remuneration packages for each of the Executive Directors and other Executives 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. The Committee is authorised to obtain independent professional advice and to secure the attendance of external advisors with relevant expertise if it considers necessary.

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;
- 2.3.4 review the impact of any Committee decision on Board Remuneration to be disclosed in the Annual Report and Accounts; and
- 2.3.5 consider other topics as defined by the Board.

### **3. Membership**

The Chairman 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 and at least two other members.

### **4. Attendance at Meetings**

The Senior Independent Director has the right to attend meetings. At the request of the Chair of the Committee, Executive Officers of the Board and employees of the Society will be in attendance for all or part of a meeting.

### **5. Quorum**

The quorum for a meeting is 2. Each member present shall have one vote; if votes are equal the Chair has a casting vote.

**6. Frequency of Meetings**

The Committee shall meet at least twice between each AGM.

**7. Notice of Meetings**

- 7.1 Meetings of the Committee shall be summoned by the Secretary of the Board at the request of the Chair of the Committee.
- 7.2 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 Committee no fewer than 5 working days prior to the date of the meeting.

**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. Annual General Meeting**

The Chair of the Committee shall respond to any questions on the Committee's activities at the Annual General Meeting.

**10. Authority**

- 10.1 The Committee is authorised to seek information it requires from any employee of the Society in order to perform its duties.
- 10.2 The Committee is authorised to obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.

# **WITH-PROFITS INDEPENDENT PERSON**

## **Terms of Reference**

### **1. Purpose**

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

- 1.1 The Principles and Practices of Financial Management (“PPFM”);
- 1.2 Bonus recommendations to the Board; and
- 1.3 The Fair Treatment of the Society’s members.

### **2. Duties and Responsibilities**

#### **2.1 Duties**

To meet the purpose the WPIP shall:

- 2.1.1 oversee application of the Society’s PPFM;
- 2.1.2 keep the contents of the PPFM under continuous scrutiny and report formally to the Board at least annually; and
- 2.1.3 oversee the production of a Consumer Friendly PPFM for consideration by the Board.

#### **2.2 Responsibilities**

The responsibilities of the WPIP shall be to:

- 2.2.1 assess the impact of regulatory developments, including “Treating Customers Fairly”, that affect the management of the Society’s with-profits business and make recommendations to the Board, as appropriate;
- 2.2.2 review external parties’ advice and make recommendations to the Board on the key decisions needed to manage its with-profits business, including
  - 2.2.2.1 bonus policy and smoothing;
  - 2.2.2.2 bonus levels (reversionary, interim, terminal); and
  - 2.2.2.3 surrender value bases and market value adjustments; and
- 2.2.3 report to members any relevant or exceptional issues as the WPIP determines.

### **3. Membership**

The WPIP shall be appointed by the Board at its first meeting after each AGM. The WPIP shall be a non-executive member of the Audit and Finance Committee.

### **4. Frequency of Meetings**

The WPIP will normally meet with the Society’s management at least quarterly.

### **5. Authority and Rights**

The WPIP may investigate any activity within his/her terms of reference and may seek any information it requires from employees and external advisors, and all employees should co-operate with his/her requests.

The WPIP may obtain outside professional advice.

### **6. Reporting Procedures**

The WPIP will report direct to the Board. The Audit and Finance Committee may consider matters in more detail on behalf of the Board, where appropriate.