

## **Terms of Reference – With Profits Committee**

### **1. Membership**

- 1.1. The Committee shall comprise at least three members, the majority of whom shall be independent members. Independent member refers to a non-executive director that is considered independent by the Board or any person who has no employment or professional connection with the Society other than his or her membership of the With Profits Committee. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the With Profits Committee and the With Profits Actuary.
- 1.2. Each member of the Committee should have appropriate skills and experience and collectively the appointed members should have skills and experience relevant to the conduct of with-profits business and the fair treatment of with-profits policyholders.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Actuary / With Profits Actuary, members of the Risk Division, subject matter experts and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.4. The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

### **2. Secretary**

- 2.1. The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

### **3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be three, or at least half of the number of members if higher, which shall include a majority of independent members. In the event of the need for immediate action, e.g. a stock market crash, the Chairman of the Committee shall have the right to remove the requirement to have a majority of independent members.

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

- 4.1. The Committee shall meet four times a year and otherwise as required.

### **5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 5.2. 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, and any other person required to attend no later than five days before the date of the meeting. Supporting

papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

- 5.3. Meetings may be held by means of conference call or webinar or any other method which allows the Committee members to communicate with each other simultaneously. In addition, decisions of the Committee may be made by email correspondence.

## **6. Minutes of Meetings**

- 6.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to the Board.

## **7. Annual General Meeting**

- 7.1. The Committee Chairman shall attend the Annual General Meeting prepared to answer member questions on the Committee's activities.

## **8. Duties**

- 8.1. The Committee's role is to advise the Board on the management of the Society's with-profits business and in this respect the following are its duties:
  - 8.1.1. to assess, report on, and provide clear advice and, where appropriate, recommendations to the Board on the way in which the with-profits business is managed by the Society and whether this is properly reflected in the Principles and Practices of Financial Management (PPFM);
  - 8.1.2. monitor, and report to the Board on, compliance with the Society's PPFM;
  - 8.1.3. produce on behalf of the Board, an annual report to with-profits policyholders stating whether the Society believes it has complied with the obligations contained in the PPFM and the evidence and reasons for that belief.
- 8.2. In advising the Board the Committee shall monitor and consider all relevant issues and information, including but not limited to:
  - 8.2.1. the rights, interests or expectations of different classes and generations of with-profits policyholders;
  - 8.2.2. the way in which the management, including the With-Profits Actuary, exercises any discretion that it has in the conduct of the Society's with-profit business;
  - 8.2.3. the way in which the management, including the With-Profits Actuary, addresses any competing or conflicting rights, interests or expectations of its policyholders (or groups of policyholders);

- 8.2.4. the Society's compliance with the PPFM;
  - 8.2.5. the identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy;
  - 8.2.6. how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
  - 8.2.7. the relative interests of policyholders with and without valuable guarantees;
  - 8.2.8. with-profits customer communications such as annual policyholder statements and product literature and whether the Committee wishes to make a statement or report to with-profits policyholders in addition to the annual report made by the Society;
  - 8.2.9. 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;
  - 8.2.10. the Society's strategy for future sales supported by the assets of the with-profits fund and its impact on surplus;
  - 8.2.11. the impact of any management actions planned or implemented;
  - 8.2.12. relevant management information such as customer complaints data (but not necessarily information relating to individual customer complaints);
  - 8.2.13. the drafting, review, updating of and compliance with run-off plans, court schemes and similar matters;
  - 8.2.14. the costs incurred in operating the with-profits fund;
  - 8.2.15. the identification and extent of the firm's with-profits funds, with particular regard to the considerations as to whether a part of the with-profits fund constitutes a separate with-profits fund;
  - 8.2.16. the use and purpose of, and terms under which, support assets are available to the with-profits fund;
  - 8.2.17. the plan for strategic activities and initiatives for the Life fund over a short to medium term, and ensure these activities align with the Society's wider business strategy and objectives.
- 8.3. In executing the duties above, the Committee must apply independent judgement and provide independent challenge to the Board in relation to the management of the With Profits business.
- 8.4. Work and liaise as necessary with all other Board Committees.

## **9. Reporting Responsibilities**

- 9.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed.

## **10. Other Matters**

The Committee shall

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required.
- 10.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.3. give due consideration to laws and regulations and the provisions of the UK Corporate Governance Code.
- 10.4. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 10.5. assess the performance of the With-Profits Actuary at least annually, and report its view to the Board.
- 10.6. advise the Board on the suitability of candidates proposed for appointment as the With-Profits Actuary.

## **11. Authority**

- 11.1. The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.