



Terms of Reference

Fair Members Benefit Committee (incorporating the With Profits Committee)

Adopted by the Board on 18th April 2018

1. Committee Purpose

The Fair Members Benefit Committee (FMBC) is a body that will:

- 1.1 support the Board in discharging its corporate governance responsibilities in relation to compliance with the Principles and Practices of Financial Management (PPFM).
- 1.2 without taking responsibility or accountability from the Board, independently to assess the fair treatment of all Members, with in particular with profits policyholders, including how any competing or conflicting rights and interests of different types of policyholders have been addressed and to advise the Board accordingly.

2. Committee Role

- 2.1 To advise and where appropriate make recommendations to the Board regarding:
 - 2.1.1 the way in which the with profits fund is managed and whether this is properly reflected in the PPFM;
 - 2.1.2 whether the Society is complying with the Principles and Practices set out in the PPFM;
 - 2.1.3 significant decisions, transactions and issues that affect all Member's interests so as to ensure their fair treatment.
- 2.2 Examples of decisions, transactions and issues which may be considered include:
 - The identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy;
 - Bonus rate declarations and smoothing policy;
 - Maturity and surrender values;
 - Market value reductions;
 - With-profit and Non-profit product terms and conditions;

- Strategic business investments if supported by the Long Term Fund surplus;
- The Society's profitability including the profitability of non-profit business;
- Any communication to policyholders;
- Content of the PPFM;
- The Society's annual report to with-profits policyholders;
- Any significant changes to the risk or investment profile of the with-profits fund;
- Sales strategy and its impact on with-profits surplus;
- Customer complaints data;
- The costs incurred in operating the with profits fund;
- The impact of management actions planned or implemented;
- The drafting, review, updating of and compliance with run off plans, court schemes and similar matters;
- The sales process as it affects policyholders.

3. Governance Framework

- 3.1 In carrying out its responsibilities the FMBC will have regard to FCA/PRA's Principles, Rules and Guidance.
- 3.2 The FMBC will report at least once a year to the Board on how any competing or conflicting rights and interests of policyholders have been addressed, and whether all policyholders, with in particular with-profits policyholders have been treated fairly.
- 3.3 The FMBC will set out the results of its compliance review in a report to the Board in sufficient detail for the Board to be able to judge whether the Society has met its obligations under PRA/FCA rules in COBS 20. If the FMBC wishes to make a statement or report to with-profits policyholders in addition to that made by the Society this will be facilitated by the Society.
- 3.4 The FMBC will, for the purposes of these reviews, rely on analyses and calculations prepared by the Society without resort to review by any third party. The FMBC shall be entitled to carry out such checking as it thinks necessary for the proper discharge of its responsibilities and, for this purpose, will have access to the Actuarial Function and may request further information from it where this is necessary to resolve any queries which the FMBC may have about the information, calculations and analysis supplied.
- 3.5 For the avoidance of doubt, the role of the FMBC is not limited to commenting on actuarial issues or PPFM compliance, but extends to all aspects of the management of the fund and the fair treatment of all policyholders.
- 3.6 The FMBC will assess the performance of the with-profits actuary at least annually and report its view to the Board.

4. Composition and Chair

- 4.1 The FMBC will comprise of at least two directors of the Society, one of which is a non-executive director, and such Executive as the Board see fit. The with-profits actuary, or his deputy, will attend all meetings.

- 4.2 The Chairman of the FMBC shall be a non executive director of the Society with relevant experience of with-profits business.
- 4.3 Board may also elect to appoint an Independent Expert to the FMBC from outside the Society in order to enhance effectiveness.
- 4.4 Members shall have appropriate skills and experience relevant to the committee.
- 4.5 The Company Secretary acts as Secretary to the Committee.
- 4.6 Appointments, rotations and resignations will be decided by the Board.

5 Committee Procedures

- 5.1 The FMBC shall normally meet four times a year.
- 5.2 Quorum – a meeting of the FMBC shall be taken to be convened if at least two members are present.
- 5.3 A meeting may be held by the FMBC members communicating with each other by any technological means by which they are able simultaneously to hear each other and participate in discussion. The minutes of the meeting shall record the method by which the meeting was conducted.
- 5.4 The FMBC may invite members of management and others to attend meetings as required.
- 5.5 The FMBC will review its terms of reference annually.
- 5.6 Minutes of the meetings will be taken by the Company Secretary or such other person as the Chairman nominates, and will then be circulated to Committee members and to Board members prior to the next meeting;
- 5.7 On an annual basis the FMBC should formally appraise its performance against its role and objectives and minute the extent to which it had met its requirements, together with an action plan should any shortcomings be identified.