

TERMS OF REFERENCE

INVESTMENT COMMITTEE

Adopted by the Board on 14th September 2016

1. Introduction

The Shepherds Friendly Society Investment Committee (IC) is established under the Authority of the Board of the Shepherds Friendly Society ("the Society"). The role of the Committee is to review and advise on matters in relation to the management of the Society's assets.

The Investment Committee reports to the Board of the Society and conducts its business in accordance with the Society's Rules, the PPFM, these Terms of Reference, any applicable legislation or regulation and the Society's policies, principles and values.

2. Purpose

The Investment Committee (IC) is a body that will:

- 2.1 Ensure that through its work the best interests of the Society's members and customers are always considered and protected;
- 2.2 Oversea compliance with the terms of the PPFM in relation to the Investment Strategy and review its continuing appropriateness in the light of changing circumstances with consideration to the needs of both with-profit and non-profit policyholders.
- 2.3 Work with the Executive to support effective communication on investment matters between the Actuary (being the Chief Actuary Function Holder/ With Profits Actuary) of the Society and:
 - i. The Board
 - ii. Investment Committee
 - iii. Investment Manager(s)

3. Membership

- 3.1 The Committee will be appointed by the Board and will comprise of at least two Non-Executive Directors, the Chief Executive Officer and the Company Secretary. The Board will nominate one of the Non-Executive members of the Committee as Chairman of the Committee;
- 3.2 Any member should have the skills and experience necessary for them to make a useful contribution to the work of the Committee;
- 3.3 The Investment Managers and the Actuary will be invited to attend meetings of the Committee on a regular basis;

3.4 Other attendees may be invited by the Chairman.

4. Meetings

4.1 Meetings will be held a minimum of four times a year. In case of need, the Chairman may call a special meeting of the Committee.

4.2 The agenda will be prepared by the Company Secretary and agreed with the Chairman of the IC.

4.3 Minutes of the meetings will be taken by the Company Secretary or such other person as the Chairman may nominate and will then be circulated to Committee members and to Board members following each meeting.

4.4 The agenda and supporting papers will be circulated to all members and invited attendees at least seven days before the next meeting.

4.5 Three members are required to constitute a quorum, at least two of whom must be Non-Executive Directors. No business will be conducted in the absence of a quorum. A meeting will terminate as soon as it becomes inquorate.

4.6 In the absence of the Chairman, the remaining members of the Committee present shall elect another Non-Executive Director to chair the meeting.

4.7 The IC may request any attendees to leave the meeting in order that the Committee members can discuss matters confidentially.

4.8 The IC may seek external legal and professional advice if this is required for it to fulfil its duties and responsibilities.

4.9 The Chairman will be responsible for summarising the Committee deliberations and any recommendations to the subsequent Board meeting.

5. Escalation

Matters that are deemed to be outside the responsibilities of IC will be raised at Board level.

6. Powers and Responsibilities of the Investment Committee

The responsibilities and duties of this Committee will include the following:

6.1 The Committee is authorised by the Board, having sought the views of the Actuary and the Society's Investment Managers, to recommend to the Board the investment strategy, including asset allocation, for the Society. The Committee will recommend asset allocation decisions in line with the strategy. The Committee will review the strategy on an annual basis and recommend any changes to the Board.

6.2 Investment Managers

- Make the necessary recommendation to the Board for the appointment, re-appointment or removal of the Investment Managers or advisors;
- Ensure the necessary processes are in place to monitor and review performance;
- Review the operational effectiveness, skill base and scale of the Investment Managers;
- Review the performance of the Investment Managers, including performance compared with agreed benchmarks, and compliance with investment objectives and mandates;
- Oversee the Investment Managers response to changes in regulation or legislation;
- Consider to hold an Investment Manager 'beauty parade' at least every three years.

6.3 The Committee will recommend, review and monitor:

- The appropriateness of the Investment strategy in light of the current circumstances of the Society, in particular in respect of capital requirements and overall market conditions;
- The suitability of new and alternative investment ideas;
- The matching of assets and liabilities;
- The fund performance of all asset classes plus the total portfolio against performance measurement targets (benchmarks) understanding the impacts of external factors;
- The investment strategy, including asset allocation and risk management policy;
- Risk limits and risk appetite;
- Conflicts of interest guidelines and any insider trading events;
- The appropriateness of investment mandates;
- Compliance with investment guidelines and any breaches thereof.

7. Review and appraisal

The Committee will:

- 7.1 Periodically review these terms of reference and make any necessary proposals to the Board as to their amendment.
- 7.2 On an annual basis the IC should formally appraise its performance against its role, objectives and Terms of Reference, and minute the extent to which it has met its requirements, together with an action plan should any shortcomings be identified.

The Board will:

- 7.3 On an annual basis have a review with the Investment Committee and Investment Managers.