

Terms of Reference Fair Members Benefit Committee (incorporating the With-Profits Committee)

Adopted by the Board on 31st March 2022

1. Introduction

The Fair Members Benefit Committee (“FMBC”) assists the Board of the Society (the “Board”) in meeting its obligations under the Friendly Societies Act 1992, the Financial Services and Markets Act 2000 and the Financial Services Act 2012. The FMBC will always seek to deliver its responsibilities within the Policy framework set by the Board and the applicable parts of the Prudential Regulation Authority and Financial Conduct Authority rulebooks including COBS20.

2. Purpose

The FMBC is a body that will:

- 2.1 support the Board in discharging its corporate governance responsibilities in relation to compliance with the Principles and Practices of Financial Management (PPFM) including any long-term issues that may affect policyholders as the FMBC feels it needs to consider;
- 2.2 without taking responsibility or accountability from the Board, independently assess the fair treatment of all Members, including how any competing or conflicting rights and interests of different types of policyholders have been addressed and to advise the Board accordingly;

- 2.3 review how the voice of the member is captured across the Society and used to help in the development of the Society's strategy and plans;
- 2.4 assess and report on any significant decisions, transactions and issues that affect all members' interests to ensure their fair treatment;
- 2.5 oversee the Member Voice Committee and to provide a report on any relevant findings to both the Board Risk Committee, to help it discharge its conduct risk duties, and to the Board itself.

3. Membership

- 3.1 The FMBC will be appointed by the Board and will comprise of at least three members, two of which will be Non-Executive Directors of the Society;
- 3.2 The Chair of FMBC shall be a Non-Executive Director of the Society with relevant experience of with-profits business;
- 3.3 The Society's With-Profits Actuary, or deputy, will attend all meetings;
- 3.4 Members of the FMBC should have the appropriate skills, knowledge and experience necessary for them to make a useful contribution to the work of the Committee;
- 3.5 The Company Secretary acts as Secretary to the Committee.

4. Meetings

- 4.1 Meetings will normally be held a minimum of four times a year. In case of need, the Committee Chair may call a special meeting of the Committee. Attendance may be in person, by teleconference call, or other form of electronic communication;
- 4.2 The agenda will be prepared by the Company Secretary and agreed with the Chair of FMBC. The agenda and supporting papers will be circulated to all Committee members and invited attendees at least five days before the next meeting;
- 4.3 Minutes of the meetings will be taken by the Company Secretary or such other person as the Committee Chair nominates and will then be circulated to Committee members and to Board members prior to the next meeting;
- 4.4 Two Non-Executive Directors are required to constitute a quorum. No business will be conducted in the absence of a quorum. A meeting will terminate as soon as it becomes inquorate;

- 4.5 If the Chair is unable to attend, then members of the Committee may appoint another Non-Executive member of the Committee to act as Chair;
- 4.6 The FMBC may invite members of management and others to attend meetings as required;
- 4.7 Membership of the Committee will be reviewed periodically.

5. Responsibilities

- 5.1 To assess, report and provide clear advice on matters outlined in COBS 20.5.3R, namely:
- the way in which the With-Profits Fund is managed and whether this is properly reflected in the PPFM;
 - whether the Society is complying with the Principles and Practices set out in the PPFM;
 - any other issues with which the Board or FMBC considers With-Profit policyholders might reasonably expect the FMBC to be involved.
- 5.2 Decisions, transactions and issues which may be considered by the FMBC 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-profits 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. This includes the management of material illiquid investments and the Society's obligations in relation to strategic investments;
 - Any impact on with-profits surplus identified in the ORSA as a result of the proposed sales strategy and sales process;
 - 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, any run off plans, court schemes and similar matters;
 - The sales process as it affects policyholders.

- 5.3 The FMBC will receive reports on the activity undertaken to capture the voice of the member from both external sources and internal sources;
- 5.4 The FMBC will review reports from the Member Voice Committee on 3rd party partnerships;
- 5.5 The FMBC will review the performance of the Society's vulnerable members' strategy;
- 5.6 The FMBC will review the Society's summary complaints reports to identify any systemic issues or material breaches of compliance and ensure that policyholders continue to be treated fairly;
- 5.7 The FMBC will work closely with the Society's With-Profits Actuary, and obtain their opinion and input as appropriate;
- 5.8 The FMBC will assess the performance of the Society's With-Profits Actuary at least annually and report its view to the Board;
- 5.9 The FMBC will review its terms of reference annually.

6. Delegation

- 6.1 The FMBC will delegate the Member Voice Committee to:
 - ensure that the best interests of the Society's members are always considered and protected;
 - monitor and review the Society's performance against the culture element of the Conduct Risk Framework and its stated outcomes; with particular regard to member voice, staff impact on members and external partnerships;
 - assist the FMBC with the development of MI and measures for their areas of responsibility within the Conduct Risk Framework.
- 6.2 The minutes of the Member Voice Committee will be tabled at the FMBC.

7. Escalation and Reporting Structure

- 7.1 The FMBC will report directly to the Board;
- 7.2 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 have been treated fairly;
- 7.3 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 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;

- 7.4 Matters that are deemed to be outside the responsibilities of the FMBC will be submitted to the Board for consideration and/or guidance.

8. Authority

- 8.1 The FMBC may seek external legal and professional advice if this is required for it to fulfil its duties and responsibilities;
- 8.2 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 With-Profits Fund and the fair treatment of all policyholders.

9. Self Appraisal

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.



The Shepherds Friendly Society Limited Registered Office:

Haw Bank House, High Street, Cheadle, Cheshire SK8 1AL

Telephone: 0800 526 249

Email: info@shepherdsfriendly.co.uk

Website: www.shepherdsfriendly.co.uk

Shepherds Friendly is a trading name of the Shepherds Friendly Society Limited which is an incorporated Friendly Society under the Friendly Societies Act. Registered No 240F. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, Financial Services Register No 109997. The Head office and Registered office of The Shepherds Friendly Society is based in the United Kingdom.