

## **Healthy Investment Terms of Reference**

### **Board**

#### **Purpose**

To ensure that the Society is run in the best interests of members.

To develop and implement the strategic direction of the Society.

To ensure that the Society is governed in accordance with FSA principles and rules and its rulebook.

To ensure the Society has in place adequate risk management procedures and systems and controls.

#### **Membership / Attendance / Quorum**

A majority of the Board shall be Non-executive Directors

Appointed to the Board should be following recommendation made by the nomination committee.

Appointment to the Board is subject to the rules of the Society and election of the membership at an Annual General Meeting.

A quorum shall be a majority of the Board present at the meeting, providing over half of those present are Non-executive Directors.

#### **Meetings**

A minimum of 6 meetings per year shall be held.

#### **Authority limits**

The Board is the ultimate decision making body of the Society.

It may agree priorities for its work.

It may seek any information it requires from any employees who are instructed to co-operate with its requests.

The Board has access to external expertise in line with the Board's policy statement.

## **Support**

The Society Secretary will act as minute secretary.

The Board will have access to administrative support from within the Society.

## **Minutes / reporting procedure**

Minutes of meetings of the Board will be circulated to all members of the Board within 7 days of the meeting.

The Board's duties and activities during the year shall be disclosed in the Annual Report and Accounts.

The Chairman shall attend the AGM and answer questions on the Board's activities.

## **Duties**

### **1. Strategy**

- 1.1 To develop an overall strategy and vision for the Society.
- 1.2 To set standards for the conduct of all Board members and staff.
- 1.3 To develop an annual business plan and associated budget compatible with the strategic aims and risk profile of the Society.
- 1.4 To review on a regular basis performance against the business plan to enable the Society to take corrective action when necessary.

### **2. Governance**

- 2.1 To ensure the highest standards of corporate governance and compliance with FSA rules and the Annotated Combined Code.
- 2.2 To review annually the Boards Terms of Reference and overall corporate governance structure.
- 2.3 To review annually the performance of the Board.
- 2.4 Following recommendation from the Nomination Committee consider the appointment of new Non-executive Directors.
- 2.5 Establish, with appropriate Terms of Reference, sub committees of the Board and appoint their members and Chairman.
- 2.6 Establish and review Board policy statements.

### **3. Risk Management**

- 3.1 To determine the risk appetite and set an appropriate risk management framework.
- 3.2 To ensure appropriate management information is available and to review such information to ensure the Society is managed within the agreed risk appetite.
- 3.3 To receive, challenge and if appropriate implement the recommendations of the Risk Committee.

### **4. Internal Audit**

- 4.1 To receive, challenge and if appropriate implement the recommendations of the Audit Committee.

### **5. Remuneration**

- 5.1 To receive and challenge the report of the Remuneration Committee.
- 5.2 To ensure the agreed strategy is implemented.
- 5.3 To approve the remuneration of Executive Directors.

### **6. External advisers**

- 6.1 To approve the appointment of all external advisers to the Society in accordance with the Board's policy, following advice from the appropriate committee.

### **7. Investment Management**

- 7.1 To develop and implement an appropriate investment strategy based on actuarial advice and the Society's appetite for risk.
- 7.2 Following recommendation by the Investment Committee, set appropriate treasury management and counterparty limits and to approve the opening of bank accounts.
- 7.3 To monitor investment performance.

### **8. Compliance**

- 8.1 To ensure that the Society complies with FSA principles, rules and guidance.
- 8.2 To ensure that the Society is run in accordance with its rulebook.
- 8.3 To ensure that the Society maintains the minimum required levels of solvency.
- 8.4 To ensure sufficient resources are available for the implementation of the compliance development plan.
- 8.5 To approve the Annual Report and Accounts.

## **9. With profits management**

- 9.1 To ensure that members are treated fairly.
- 9.2 To appoint a With profits Committee with independent members and appropriate Terms of Reference to scrutinize the Board's management of the With profits Fund.
- 9.3 To review and update the Society's Principles and Practices of Financial Management.
- 9.4 To determine the statutory valuation assumptions and approve the valuation results, the asset share methodology and the apportioning of charges and expenses.
- 9.5 To agree the level of reversionary, interim and terminal bonus paid to each policy type and duration and the level of any MVR.
- 9.6 To review annually the appropriateness of remaining open to new business.
- 9.7 To approve the launch of all new products and tables and the withdrawal of existing products.

## **10. Allocation of resources**

- 10.1 To ensure that resources are available for the Society to achieve its objectives and operate compliantly.
- 10.2 To ensure effective use of the resources available for generating new business.
- 10.3 To approve an authority mandate detailing the authority of individual officers and staff.
- 10.4 To approve all significant transactions including major purchases, long term contracts and transfers of engagements.
- 10.5 To ensure appropriate professional indemnity insurance is in place.

## **11. General**

- 11.1 To ensure a culture of TCF is embedded throughout the Society.
- 11.2 To explicitly approve any charitable or political donations being made by the Society.
- 11.3 To discuss any other topics considered appropriate.

## **Healthy Investment Terms of Reference**

### **Audit Committee**

#### **Purpose**

To provide independent oversight of the Society's systems of internal control and financial reporting.

#### **Membership / Attendance / Quorum**

The Chairman of the Committee shall be appointed by the Board.

In addition at least 1 other Non-executive Director shall be a member of the Committee.

Members of the Committee shall be appointed by the Board following recommendation made by the Nomination Committee.

The Chief Executive, Secretary, internal auditor and external auditor shall attend only at the invitation of the Committee.

The Chairman of the Board shall not be a member of the Committee but shall have the right to attend meetings of the Committee.

Each year there shall be 1 meeting or part of a meeting where the external and internal auditors have the opportunity to attend without other management present.

A quorum shall be 2 members present.

#### **Meetings**

A minimum of 3 meetings per year shall be held.

December:

- Pre-audit meeting with the external auditors
- Agreement of internal audit plan for the forthcoming year

March:

- Post audit meeting
- Approval of draft accounts
- Review regulatory returns
- Review of audit management letter

September:

- Post internal audit meeting

Addition meeting may be held:

- To undertake retendering interviews of internal and external auditors

At the request of the external or internal auditors  
At the request of the Board

### **Authority limits**

The Committee has the authority to investigate any activity within its Terms of Reference.

It may agree priorities for its work.

It may seek any information it requires from any employees who are instructed to co-operate with its requests.

The Committee has access to external expertise in line with the Board's policy statement.

### **Support**

The Society Secretary will act as minute secretary.

The Committee will have access to administrative support from within the Society.

### **Minutes / reporting procedure**

Minutes of meetings of the Committee will be circulated to all members of the Board within 7 days of the meeting.

The Committee Chairman or his nominee shall report formally to the Board on its proceedings after each meeting.

The Committees duties and activities during the year shall be disclosed in the Annual Report and Accounts.

The Chairman of the Committee shall attend the AGM and answer questions on the Committees activities.

### **Duties**

#### **1. External Audit**

- 1.1 To ensure open communication between the external auditors and Board
- 1.2 To oversee the formal tendering process, ever 3 years or earlier if required, for selecting the external auditor and make recommendation to the Board.
- 1.3 To consider the annual recommendation to reappointment the external auditor by assessing their independence, quality control procedures and response to changes in regulatory requirements and to make recommendation to the Board and members on their reappointment.

- 1.4 To recommend the audit fee to the Board.
- 1.5 To approve the level and remuneration of non audit services provided by the external auditor to ensure independence and objectivity.
- 1.6 To discuss and agree, before the audit commences the nature and scope of the audit.
- 1.7 To review the external auditors management letter and managements response.

## **2 Internal Auditors**

- 2.1 To ensure open communication between the internal auditors and Board
- 2.2 To oversee the formal 3 yearly, or sooner if necessary, tendering process for selecting the internal auditor and make recommendation to the Board.
- 2.3 To monitor and review the effectiveness of the Society's internal audit function in the context of the Society's overall risk management framework.
- 2.4 To agree an annual programme of internal audit work based on an assessment of risk.
- 2.5 To ensure adequate resources are allocated to internal audit work.
- 2.6 To review the reports of the internal auditor and consider managements response to internal audit recommendations.
- 2.7 To approve the appointment or dismissal of the head of internal audit.

## **3. Financial reporting**

- 3.1 To review the appropriateness of accounting policies and procedures.
- 3.2 To review and challenge the Annual Report and Accounts prior to presentation to the Board.
- 3.3 To ensure that the Annual Report and Accounts complies with the Annotated Combined Code and relevant accounting standards.

## **4. Compliance**

- 4.1 To agree an annual compliance development plan.
- 4.2 To ensure sufficient resources are allocated to the compliance function.
- 4.3 Consider managements response to major compliance developments or other regulatory interventions.

4.4 To receive and review the annual money laundering report.

**5. General**

5.1 To support the Board in ensuring a culture of TCF is embedded throughout the Society.

5.2 To discuss any other topics delegated by the Board.

5.3 To review annually the Committee's Terms of Reference.

5.4 To review the Society's whistleblowing arrangements.

**Healthy Investment  
Terms of reference**

**Risk Committee**

**Purpose**

To provide independent oversight of Society's risk management system.

**Membership / Attendance / Quorum**

The Chairman of the Board, if not a member of the Committee, shall have the right to attend meetings.

The Chairman of the Committee shall be appointed by the Board and must be a Non-executive Director.

The Chief Executive and Society Secretary shall sit as members of the Committee.

In addition to the Chairman of the Committee at least 2 other Non-executive Directors.

Members of the Committee shall be appointed by the Board following recommendation made by the nomination committee.

A quorum shall be 3 members providing at least a majority are Non-executive Directors.

**Meetings**

A minimum of 3 meetings per year shall be held.

**Authority limits**

The Committee has the authority to investigate any activity within its Terms of Reference.

It may agree priorities for its work.

It may seek any information it requires from any employees who are instructed to cooperate with its requests.

The Committee has access to external expertise in line with the Board's policy statement.

## **Support**

The Society Secretary will act as minute secretary.

The Committee will have access to administrative support from within the Society.

## **Minutes / reporting procedure**

Minutes of meetings of the Committee will be circulated to all members of the Board within 7 days of the meeting.

The Committee Chairman or his nominee shall report formally to the Board on its proceedings after each meeting.

The Committee's duties and activities during the year shall be disclosed in the Annual Report and Accounts.

The Chairman of the Committee shall attend the AGM and answer questions on the committee's activities.

## **Duties**

1. To ensure that the Society has a satisfactory system for the identification and assessment of risks.
2. To approve the appointment or dismissal of the Head of Risk.
3. To keep under review the effectiveness of the Society's internal control and risk management systems.
4. To review the risk register.
5. To be aware of the Society's risk profile and ensure consistency with the Board's appetite for risk.
6. To undertake an annual assessment of the Society's Individual Capital Adequacy requirements.
7. To receive and review an annual report on the Society's business continuity /

disaster recovery plans.

8. To review the risks and controls relating to information systems, including data security.
9. To undertake an assessment of the Health & Safety risks.
10. To support the Board in ensuring a culture of TCF is embedded throughout the Society.
11. To discuss any other topics delegated by the Board.
12. To review annually the Committee's Terms of Reference.

## **Healthy Investment Terms of Reference**

### **Remuneration Committee**

#### **Purpose**

To provide independent oversight over the Society's remuneration strategy.

#### **Membership / Attendance / Quorum**

The Chairman of the Board shall be a member of the Committee.

The Chairman of the Committee shall be appointed by the Board and must be a Non-executive Director.

The Chief Executive and Society Secretary shall be a member of the Committee.

In addition at least 2 other Non-executive Directors shall be members of the Committee.

Members of the Committee shall be appointed by the Board following recommendation made by the Nomination Committee.

A Quorum shall be 3 members presents providing a majority are Non-executive Directors.

#### **Meetings**

The Committee shall meet annually in early March.

Additional meetings may be held:

- To undertake specific tasks
- At the request of the Committee
- At the request of the Board

## **Authority limits**

No Executive Director shall vote on any decision regarding their own remuneration and members may be asked to leave the meeting whilst their remuneration is being discussed.

Changes to the remuneration of Non-executive Directors is subject to the approval of the membership at an AGM.

The Committee has the authority to investigate any activity within its Terms of Reference.

It may agree priorities for its work.

It may seek any information it requires from any employees who are instructed to co-operate with its requests.

The Committee has access to external expertise in line with the Board's policy statement.

## **Minutes / reporting procedure**

Minutes of meetings of the Committee will be circulated to all members of the Board within 7 days of the meeting.

The Committee Chairman or his nominee shall report formally to the Board on its proceedings after each meeting.

The Committees duties and activities during the year shall be disclosed in the Annual Report and Accounts.

The Chairman of the Committee shall attend the AGM and answer questions on the Committees activities.

## **Support**

The Society Secretary will act as minute secretary.

The Committee will have access to administrative support from within the Society.

## **Duties**

### **1. Remuneration strategy**

- 1.1 To determine and agree the Society's overall strategy and policy for remuneration.
- 1.2 To ensure that the remuneration policy and individual packages give due regard to the Annotated Combined Code and FSA remuneration regulations and the Society's risk appetite.

- 1.3 Benchmark remuneration and note trends against other societies / similar organisations
- 1.4 Approve any compensation packages or arrangements following severance of any of the Executive or staff in a way that is fair to the employee and members.
- 2. Executive remuneration**
  - 2.1 To review annually the remuneration package of the Society's Chief Executive and Secretary and make recommendations to the main Board.
  - 2.2 To agree and regularly review service contracts for Executive Directors and staff.
  - 2.3 To recommend to the Board the level of discretionary performance related bonus payable to Executive Directors.
- 3. Non-executive Director remuneration**
  - 3.1 To recommend to the Board for approval by members at the AGM Non-executive Directors remuneration.
- 4. Staff remuneration**
  - 4.1 Undertake an annual review of the salary of all staff in relation to the approved remuneration strategy and make recommendations to the main Board.
  - 4.2 Approve the design of and determine the levels of performance related bonus and commission for sales staff.
  - 4.3 Set appropriate level of staff benefits including pension benefits.
  - 4.4 Agree the policy for the payment and authorisation of expenses.
  - 4.5 Review changes to staff job descriptions / role profiles.
- 5. General**
  - 5.1 To support the Board in ensuring a culture of TCF is embedded throughout the Society.
  - 5.2 To discuss any other topics delegated by the Board.
  - 5.3 To review annually the Committee's Terms of Reference.

## **Healthy Investment Terms of Reference**

### **Nomination Committee**

#### **Purpose**

To provide independent input into the identification, assessment and nomination of new Executive and Non-executive Directors.

To ensure that the Board has the appropriate mix of knowledge, skills and experience in order to fulfill its statutory duties.

#### **Membership / Attendance / Quorum**

The Chairman of the Board shall be a member of the Committee.

The Senior Non-executive Director shall be a member of the Committee

The Chairman of the Committee shall be appointed by the Board and must be a Non-executive Director.

The Chief Executive and Society Secretary shall be members of the Committee.

In addition at least 1 other Non-executive Director shall be a member of the Committee.

Members of the Committee shall be appointed by the Board following recommendation made by the Nomination Committee.

A Quorum shall be 3 members presents providing a majority are Non-executive Directors.

#### **Meetings**

A minimum of 1 meeting per year shall be held.

#### **Authority limits**

The Committee has the authority to investigate any activity within its Terms of Reference.

It may agree priorities for its work.

It may seek any information it requires from any employees who are instructed to co-operate with its requests.

The Committee has access to external expertise in line with the Board's policy statement.

No Committee member shall participate in any discussion relating to his appointment or reappointment.

## **Support**

The Society Secretary will act as minute secretary.

The Committee will have access to administrative support from within the Society.

## **Minutes / reporting procedure**

Minutes of meetings of the Committee will be circulated to all members of the Board within 7 days of the meeting.

The Committee Chairman or his nominee shall report formally to the Board on its proceedings after each meeting.

The Committees duties and activities during the year shall be disclosed in the Annual Report and Accounts.

The Chairman of the Committee shall attend the AGM and answer questions on the committees activities.

## **Duties**

1. To undertake an annual evaluation of the balance, skills, knowledge and experience of the Board.
2. Organise and undertake an annual evaluation of the performance of the Board and its sub-committees.
3. Review the structure, size and composition of the Board and its sub committees and make recommendations to the Board for change.
4. Prepare a description of the role and capabilities required for a particular appointment.
5. Be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise.
6. Ensure that on appointment Non-executive Directors receive a formal letter of appointment setting out clearly what is expected in terms of time commitment, committee service and involvement outside of Board meetings.
7. Facilitate the appraisal of the Chief Executive and other Executive Directors.
8. Make recommendations to the Board as regards plans for succession planning in

particular the Chair, Chief Executive and Society Secretary.

9. Consider the reappointment of any Non-executive Director at the conclusion of his or her specified term of office.
10. Consider the reappointment of any Non-executive Director who has reached the age of 70 to ensure their continued ability to perform and continued independence.
11. Consider the reappointment of any Non-executive Director who has undertaken over 9 years of service to ensure their continued independence.
12. Consider and make recommendations to the Board for nominations to the position of Chairman, Vice Chairman, Senior Non-executive Director and sub committee Chairmen.
13. Discuss and make recommendation to the Board on any performance or attendance issues relating to the continuation in office of any Executive or Non-executive Director at any time.
14. Ensure compliance with the FSA's approved persons regime.
15. To assist the Board in ensuring a culture of TCF is embedded throughout the Society.
16. To discuss any other topics delegated by the Board.
17. To review annually the Committee's Terms of Reference.

## **Healthy Investment Terms of Reference**

### **Investment Committee**

#### **Purpose**

To provide independent oversight over the Society's investment management.

#### **Membership / Attendance / Quorum**

The Chairman of the Board, if not a member of the Committee, shall have the right to attend meetings.

The Chairman of the Committee shall be appointed by the Board and must be a Non-executive Director.

The Chief Executive and Society Secretary shall sit as members of the Committee.

In addition to the Chairman of the Committee at least 2 other Non-executive Directors.

Members of the Committee shall be appointed by the Board following recommendation made by the Nomination Committee.

A quorum shall be 3 members providing at least a majority are Non-executive Directors.

## **Meetings**

The Committee shall meet at least 3 times per year.

## **Authority limits**

The Committee has the authority to investigate any activity within its Terms of Reference.

It may agree priorities for its work.

It may seek any information it requires from any employees who are instructed to co-operate with its requests.

The Committee has access to external expertise in line with the Board's policy statement.

## **Minutes / reporting procedure**

Minutes of meetings of the Committee will be circulated to all members of the Board within 7 days of the meeting.

The Committee Chairman or his nominee shall report formally to the Board on its proceedings after each meeting.

The Committee's duties and activities during the year shall be disclosed in the Annual Report and Accounts.

The Chairman of the Committee shall attend the AGM and answer questions on the Committee's activities.

## **Support**

The Society Secretary will act as minute secretary.

The Committee will have access to administrative support from within the Society.

## **Duties**

1. To oversee the formal tendering process, every 3 years or earlier if required, for selecting the Society's external investment managers.
2. To monitor the performance of the external investment managers against agreed

benchmarks.

3. To advise the Board on the appropriateness of the agreed investment matrix.
4. To monitor adherence by the investment manager to the investment matrix.
5. To review and propose to the Board appropriate counterparty limits.
6. To support the Board in ensuring a culture of TCF is embedded throughout the Society.
7. To discuss any other topics delegated by the Board.
8. To review annually the Committee's Terms of Reference.

## **Healthy Investment Terms of Reference**

### **With profits Committee**

#### **Purpose**

To provide independent challenge of the Board's management of its With profits Fund in order to ensure the fair treatment of all members.

#### **Membership / Attendance / Quorum**

The Chairman of the committee shall be appointed by the Board following recommendation by the Nominations Committee and should not be a member of the Board or Society.

The Chairman of the Board shall not be a member of the committee but may be invited to attend meetings of the committee.

The Chief Executive and Society Secretary shall not be members of the committee but may be invited to attend meetings of the committee.

The committee shall comprise of:

1 Non-executive Director.

At least 2 independent persons with relevant With profits expertise who has no direct relationship with the Society or its Board.

Members of the committee shall be appointed by the Board following recommendation made by the Nomination Committee.

A quorum shall be 2 members.

### **Meetings**

A minimum of 1 meeting per year shall be held.

### **Authority limits**

The committee has the authority to investigate any activity within its terms of reference.

It may agree priorities for its work.

It may seek any information it requires from any employee who are instructed to co-operate with its requests.

The committee has access to external expertise in line with the Board's policy statement.

### **Support**

The Society Secretary will act as minute secretary.

The committee will have access to administrative support from within the Society.

The With Profits Actuary will attend all meetings of the committee.

The With profits Committee can, by resolution of the committee, request reports from the With profits Actuary.

### **Minutes / reporting procedure**

Minutes of meetings of the committee will be circulated to all members of the Board within 7 days of the meeting.

The Committee Chairman or his nominee shall report formally to the Board on its proceedings after each meeting.

The committees duties and activities during the year shall be disclosed in the Annual Report and Accounts.

The Chairman of the committee shall attend the AGM and answer questions on the committees activities.

### **Duties**

1. To review the bonus declarations made by the Board to ensure fairness for all With profits policyholders.

2. To review the application of any Market Value Reductions to ensure fairness for all With profits policyholders.
3. To review the application of smoothing.
4. To review the way in which the Board identifies surplus and excess surplus and to recommend to the Board its distribution or retention.
5. To challenge the Board's identification and management of any potential conflicts of interest between different types of With profits policyholders and non profit policyholders.
6. To consider whether the Society has complied with its Principles and Practices of Financial Management and report its findings both to the Board and members.
7. To consider any proposed changes to the Society's PPFM to ensure the rights, interests and expectations of policyholders are considered.
8. To review and challenge the statutory valuation assumptions and results, the asset share methodology and the apportioning of charges and expenses.
9. To ensure that the investment strategy is appropriate for and in the best interests of With profits policyholders and to consider the impact on With profits policyholders on any change to the investment profile.
10. To ensure that the impact on With profits policyholders is considered in the event of any significant change to the risk profile of the Society.
11. To ensure that the Board has considered the interests of With profits policyholders in all major business decisions and management actions, including strategic investments.
12. To review and if necessary challenge the Boards strategy for new business and its decision to remain open to new business.
13. To monitor the level and nature of complaints.
14. To analyse developments in the FSA's supervision and regulatory developments of With profits and advise the Board of their potential impact on policyholders.
15. Undertake a regular assessment of the suitability of the Society's actuary.
16. Monitor all client and IFA facing literature to ensure it is clear, fair and not misleading and provides existing and new With profits policyholders with adequate information.

17. To support the Board in ensuring a culture of TCF is embedded throughout the Society.
18. Monitor adherence to any distribution, management and run off plans or Court schemes if appropriate.
19. To discuss any other topics delegated by the Board or other issues the With profits policyholders would reasonably expect the With profits Committee to scrutinise.
20. To review annually the committee's Terms of Reference and recommend any changes to the Board.