

FAMILY ASSURANCE FRIENDLY SOCIETY

INVESTMENT & PRODUCT SUB-COMMITTEE

TERMS OF REFERENCE

(as adopted by the Society's Board on 28 February 2018)

1 Membership

- 1.1 Membership of the Investment & Product Sub-Committee shall be decided by the Board on the recommendation of the Nominations Sub-Committee in consultation with the Investment & Product Sub-Committee Chairman. The Investment & Product Sub-Committee shall be made up of at least 3 members. At least 3 members shall be non-executive directors of the Society and the Committee will include the Chief Executive Officer and the Chief Finance Officer. The Chief Risk Officer shall attend each meeting of the Sub-Committee.
- 1.2 Only members of the Investment & Product Sub-Committee have the right to attend Committee meetings. However, other directors and other individuals (including representatives of external advisers) may be invited to attend for all or part of any meeting, as and when appropriate in the opinion of the Committee's Chairman or the majority of its members.
- 1.3 The Board shall appoint the Committee Chairman who should be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board.
- 1.4 The Chairman of the meeting shall be entitled to a casting vote in addition to any other vote he/she may have.

2 Secretary

The secretary of the Society, or any other person selected for the task by the Investment & Product Sub-Committee, shall act as the secretary of the Committee.

3 Quorum

The quorum necessary for the transaction of business shall be 2 non-executive directors. The executive directors in attendance must not form a majority. A duly convened meeting of the Investment & Product Sub-Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. In the absence of the Chairman the remaining members of the Committee present shall elect one of the non-executive directors to chair the meeting.

4 Frequency of meetings

- 4.1 The Committee shall meet at least quarterly.. Additional meetings may be called by any Committee member.

5 Notice of meetings

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee on a bi-monthly basis and at the request of any of its members if additional meetings are called for.
- 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, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting.
- 5.3 The secretary shall ensure that each member of the Committee (and any other attendee as appropriate) receives information and papers in a timely manner to enable proper consideration to be given to issues.

6 Minutes of meetings

- 6.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of the Committee meetings shall be circulated promptly to all members of the Committee and such other attendees of the meeting as the Chairman of the Committee shall think fit. Once approved, minutes should be circulated to all other members of the Board.

7 Duties

- 7.1 The purpose of the Committee is to:
- (a) enable the Group's investment strategy and nature of the company's products to be reviewed in greater detail than is possible at regular Board meetings.
 - (b) ensure implementation of the investment strategy and the Strategic Asset Allocation for the Group, as approved by the Board, and to review and monitor the activity and performance of the external investment managers.
 - (c) appoint and terminate satellite investment managers and to make recommendations to the Board on the appointment and termination of the core manager.
 - (d) consult with the With Profits Sub-Committee on the appointment and termination of the investment managers of the With Profits funds.
 - (e) make recommendations on the launch of new products on which the final decision will rest with the Board.
- 7.2 The Committee shall assist the Board in fulfilling its oversight responsibilities for investment and products across the group and should carry out the duties detailed below for the Society, major subsidiary undertakings and the Group as a whole, as appropriate.
- 7.3 With regard to investment matters the Committee shall:
- (a) recommend the investment strategy and policy (including, but not restricted to, review of Group's investment arrangements and investment performance) to the Board and review the implementation of the policy;

- (b) set and review regularly investment guidelines, objectives, asset allocation benchmarks and the Investment Management Policy (including a review that counterparty, credit, liquidity and market risks are within the risk appetite established by the Board) in respect of each fund and make asset allocation decisions of up to 20% of the fund;
- (c) set appropriate performance benchmarks for each fund and review regularly performance relative to those benchmarks (but with clear understanding that the Investment Manager is accountable for performance);
- (d) review overall investment strategy focusing on macro-economic conditions, adherence to regulations, policy and Investment Management Agreement;
- (e) meet with the Chief Actuary at least once per annum to review and approve recommendations as regards the Non-Linked funds and, where necessary, review the investment strategy of other funds;
- (f) report promptly to the Board any material departure, failing or potential failing of the Investment Management process or Investment Manager and any material concerns as regards investment risks that ought reasonably to be drawn to the attention of the Board.
- (g) seek approval of the Board to any proposal to materially alter the Investment Manager process or objective of any fund and to change the core fund Manager;
- (h) appoint and terminate external satellite managers, i.e. Absolute Return, property, emerging markets, cash, Far East; and
- (i) appoint, with approval of the Board, external experts as appropriate to help in the performance of its duties.

7.4 The Committee has oversight of the structure and pricing of all products either manufactured or originated within the Society or subsidiaries.

7.4.1 The Committee shall review the Product Development Process to ensure that the process delivers products that meet the needs of customer and the Society

7.4.2 For new products, or products being significantly altered, the Committee shall receive the Executive Product Review for **approval**.

7.4.3 To have oversight of the pricing for the open products and where appropriate **approve** a pricing range that allows the Pricing Committee to set prices for a particular product that depend on current market conditions.

7.4.4 To have oversight of the Product Review Process to ensure performance of the OneFamily product set is managed effectively.

7.5 To ensure that Committee members are 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.

7.6 To review its own performance and terms of reference periodically, recommending any changes it considers necessary to the Board for approval.

7.7 To consider other topics, as referred to it from time to time by the Board.

7.8 The work of the Committee is closely linked with that of the Audit Sub-Committee and the Risk Sub-Committee. The Chairmen of the Committees shall agree on which documents shall be received by the respective Committees and how the Investment & Product Sub-Committee

could best contribute to the work of the other two Committees.

- 7.9 Every matter decided by the Committee shall be decided by a majority of votes cast. If the votes are equal, the person presiding over the meeting shall have a casting vote, in addition to his vote as a member of the Committee.
- 7.10 The apportionment of responsibilities is set out in the table at Appendix A.

8 Reporting responsibilities

- 8.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including how it has discharged its responsibilities.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed.
- 8.3 The Chairman of the Committee shall be responsible for ensuring that the activities of the Committee are fully and properly reported to the Board. It is envisaged that the principal way in which this will be accomplished will be by circulation of the minutes of the Committee's meetings.
- 8.4 The Committee shall produce an annual report of the Committee's duties and activities during the year, which will form part of the Society's Annual Report and Accounts.
- 8.5 The Chairman of the Committee shall attend the Annual General Meeting and shall answer questions, through the Chairman of the Board, on the Committee's activities and responsibilities.

9 Other

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the secretariat for assistance as required;
- (b) 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;
- (c) give due consideration to laws and regulations, the Society's Rules, the provisions of the UK Corporate Governance Code (as annotated for Mutual Insurers) and the requirements of the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") Handbooks and any other applicable rules, as appropriate;
- (d) 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 Authority

The Committee is authorised to:

- (a) investigate any activity within its terms of reference and report its recommendations to the Board for consideration and approval.

- (b) oversee implementation of relevant policies by the executive team after it has received formal Board approval. The secretary to the Committee shall maintain an up-to-date record of all authorities delegated to the Committee.
- (c) seek any information it requires from any employee and all employees should cooperate with its requests.
- (d) direct internal resources and/or external advisers to undertake or commission investigations on its behalf and to follow up with action when appropriate.
- (e) obtain professional advice and, if necessary at the Society's expense, invite outsiders with relevant experience to attend the meetings.
- (f) delegate any of its duties as is appropriate to such person or persons as it thinks fit.
- (g) review and approve policies on behalf of the Board, as delegated to it by the Board from time to time.

Annex A Apportionment of responsibilities

	Executive	I & P Sub Sub-Committee	Board
Strategy	Propose strategy Propose changes to strategy and strategic asset allocation Propose changes to fund managers	Recommend strategy to Board Approve changes to strategic asset allocation up to 20% of the value of any fund (but in keeping with the investment objectives and restrictions on the fund) Consider changes to fund managers: approve appointment of non-core managers; recommend to Board appointment of core fund manager Recommend new product launches to the Board	Approve overall investment strategy Approve changes to strategic asset allocation in excess of 20% of the value of any fund and changes to strategy Approve change of our core fund manager Approve new product launches
Reporting	Operational, risk and compliance reports Performance against benchmarks and adherence to IMA Provide relevant reports and copies of sub-committee meeting minutes to Board Review and communicate regulatory, industry and competitor investment developments	Consider management reports on: dealing, valuation, pricing, performance, compliance, risk Review fund manager performance, including performance against benchmarks and adherence to IMA	Approve actions of ISC Consider overall performance in context of meeting customer expectations
Governance	Maintain relevant manuals (e.g. IMPPO) Maintain up to date fund governance documentation	Approve changes to fund governance documentation and IMPPO	

<p>Operational</p>	<p>Monitor day to day activity: dealing, valuation, pricing, performance, compliance</p> <p>Review performance of Trustee & Custodian</p> <p>Submit to ISC for approval all proposed non-standard transactions and use of non-standard investment instruments (as defined by IMPPO).</p>	<p>Recommend to Board change of Trustee & Custodian Consider use of nonstandard instruments (i.e. those outside IMPPO) and recommend to Board</p> <p>Approve non-standard investment transactions (including off exchange – i.e. those outside IMPPO)</p> <p>Approve significant investment transactions (as defined by IMPPO)</p>	<p>Approve change of Trustee and Custodian Approve use of nonstandard instruments (i.e. those outside IMPPO)</p> <p>Approve significant investment transactions i.e. those above the limit of ISC Approve members / make up of I & P SC and its TOR</p>
<p>Other</p>	<p>Review performance and fees of all external investment managers.</p> <p>Carry out such other activities as may be determined by the Board.</p> <p>Consider Conflicts of Interest guidelines with regards to any change of investment strategy or launch of new investment product.</p> <p>Ensure alignment of investment policies with any mutual or ethical brand statements.</p> <p>Consider and appoint external investment advisors, custodians (non-authorised funds) and negotiate and agree fees.</p> <p>Take appropriate action in the event of the resignation or termination of a contracted third party investment advisor or custodian.</p> <p>Secure the services of external experience and expertise that it deems necessary</p>		