

FAMILY ASSURANCE FRIENDLY SOCIETY

WITH PROFITS SUB-COMMITTEE

TERMS OF REFERENCE

(as adopted by the Society's Board of Directors on 15/11/2018)

1 Membership

- 1.1 Membership of the With-Profits Sub-Committee ("the **Committee**") will be appointed by the Board of Directors of the Society ("the **Board**") on the recommendation of the Nominations Sub-Committee in consultation with the Committee Chairman. The Committee will be made up of at least 3 members.
- 1.2 At least 3 members will be independent non-executive directors of the Society.
- 1.3 At least one member will have recent and relevant financial experience and will, preferably, hold a professional qualification from one of the professional actuarial body. The Chairman of the Board will not be a member of the Committee.
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other directors and other individuals (including representatives of external advisers) may be invited to attend all or part of any meeting as and when appropriate in the opinion of the Committee's Chairman or the majority of its members.
- 1.5 The Board will appoint the Chairman.
- 1.6 In the absence of the Chairman and/or an appointed deputy, the remaining members present will elect one of themselves to chair the meeting.
- 1.7 The chairman of the meeting will be entitled to a casting vote in addition to any other vote he/she may have.

2 Secretary

- 2.1 The Secretary of the Society, or any other person selected for the task by the Committee, will act as the Secretary of the Committee.

3 Quorum

The quorum necessary for the transaction of business will be 2 non-executive directors. The executive directors in attendance must not form a majority. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4 Frequency of meetings

- 4.1 The Committee will meet at least 3 times a year at appropriate intervals in the financial reporting and With-Profits cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Chairman will maintain a dialogue with key individuals involved in the Society's governance, including the Chairman of the Board, the Chairmen of other Sub-Committees of the Board, the Chief Executive Officer, the Chief Finance

Officer, the Chief Risk Officer and the With-Profits Actuary.

5 Notice of meetings

- 5.1 Meetings of the Committee will be convened by the Secretary of the Committee at the request of any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will 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 will 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 will 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 Committee meetings will be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, other than where, in the opinion of the Chairman, it would be inappropriate to do so.

7 Annual General Meeting

The Chairman should attend the Society's Annual General Meeting to answer member questions on the Committee's activities.

8 Duties

The Committee will assist the Board in fulfilling its oversight responsibilities for with-profits oversight 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.

- 8.1 The Committee will:
 - (a) assess, report on and provide clear advice and constructive challenge and, where appropriate, make recommendations to the Board based on the recommendations and proposals submitted by the With-Profits Actuary and Executive Directors, including:
 - (i) the way in which the With-Profits funds are managed by the Society and whether this is properly reflected in the Principles and Practices of the Financial Management ("PPFM") for each fund and in keeping with Treating Customers Fairly ("TCF") principles;
 - (ii) the identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy;
 - (iii) how bonus rates and smoothing have been calculated and applied;

- (iv) the relative interests of policyholders;
 - (v) the Society's With-Profits customer communications such as annual Board reports to policyholders, policyholder statements and product literature;
 - (vi) any significant changes to the risk or investment profile of the With-Profits funds;
 - (vii) relevant management information such as customer complaints data;
 - (viii) the drafting, review, updating of and compliance with any With-Profits management, distribution and run-off plans, court schemes and similar matters;
 - (ix) the costs incurred in operating the With-Profits funds;
 - (x) whether the Group has addressed effectively the conflicting rights and interests of With-Profits policyholders and other policyholders or stakeholders including in a way that is consistent with FCA Principle 6 (regarding TCF);
 - (xi) any other issues with which the Board or this Committee considers; or
 - (xii) matters that the With-Profits policyholders might reasonably expect this Committee to be involved in.
- (b) monitor the capital position (including, but not restricted to, review of the methodology and assumptions being used in the models, underlying the actuarial valuation, solvency and embedded value calculations);
 - (c) work closely with the With-Profits Actuary, and obtain his or her opinion and input as necessary;
 - (d) advise the Board on the suitability of candidates proposed for appointment as the With-Profits Actuary;
 - (e) assess the performance of the With-Profits Actuary at least annually and report its view to the Board; and
 - (f) consider the recommendations of the Investment & Product Sub-Committee as regard to the appointment and termination of the investment managers of the With-Profits funds.

9 Reporting responsibilities

- 9.1 The Chairman will 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.
- 9.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee will produce a report to be included in the Society's annual report and accounts, describing the Committee's work and how it has discharged its responsibilities.

10 Other

The Committee will:

- 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 on-going basis for all members;
- c) give due consideration to applicable laws and regulations, the Society's Rules, the provisions of the UK Corporate Governance Code (as annotated for Mutual Insurers), the guideline published by the Institute and Faculty of Actuaries, and the requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") Handbooks and any other applicable rules, as appropriate;
- d) oversee any investigation of activities which are within its terms of reference;
- e) 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; and
- f) work and liaise with as necessary with all other Board committees.

11 Authority

The Committee is authorised to:

- a) seek any information it requires from any employee of the Society in order to perform its duties;
- b) obtain, at the Society's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- c) call any employee to be questioned at a meeting of the Committee as and when required;
- d) have the right to publish in the Society's annual report details of any issues that cannot be resolved between it and the Board;
- e) review and approve policies on behalf of the Board, as delegated to it by the Board from time to time; and
- f) delegate any of its duties as it is appropriate to such person or persons as it thinks fit.