

## WITH-PROFITS ADVISORY ARRANGEMENT

### TERMS OF REFERENCE

#### Purpose

The purpose of the With-Profits Advisory Arrangement (“the Committee”) is to independently monitor and bring some independent judgment to the extent to which procedures, systems and controls are adequate and effective to enable National Friendly to comply with the requirements contained within the FCA Handbook over the management and governance of With-Profits business.

#### Membership

Members of the Committee shall be appointed by the Board in consultation with the Chair.

The Committee shall comprise of all Independent Non-Executive Directors. The With-Profits Actuary attends meetings of the Committee as appropriate. No member of the Committee may hold an Executive position within the Society, nor may any member be appointed if they have acted as a professional advisor to the Society within the year preceding a proposed first appointment to the Committee.

Only members of the Committee and the Secretary have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting as and when appropriate.

Appointments to the Committee shall be subject to annual review.

The Board shall appoint the Chair. In the absence of the Chair, the remaining members of the Committee present shall appoint one other Independent Non-Executive Director to chair the meeting.

The Chair of the committee shall have a casting vote.

#### Administration

*Secretary* - The Society Secretary or their nominee shall act as the Secretary.

*Quorum* - The quorum necessary for the transaction of business shall be two committee members.

*Frequency of meetings* - The Committee shall meet to review bonus recommendations, product projection rates at least once a year and further as required.

*Notice of meetings* - Meetings of the Committee shall be summoned by the Secretary at the request of any of its members or at the request of the external or internal auditors. 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 and any other person required to attend no later than five working days before each meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

*Minutes of Meetings* - The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of



Committee meetings shall be circulated as soon as practicable to all members of the Committee, the Board and the With-Profits Actuary.

### Duties

- 1 In advising and reporting to the Board, the Committee should monitor and consider all relevant issues, including but not limited to:
  - a) The rights, interests or expectations of different classes and generations of With-Profits policyholders.
  - b) The identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy.
  - c) The way in which the Society exercises discretion in the conduct of the With-Profits business.
  - d) The way in which the Society addresses competing or conflicting rights, interests or expectations of its policyholders (or groups of policyholders).
  - e) With-Profits customer communications such as annual policyholder statements and product literature and whether the Committee wishes to make a statement or report to With-Profits policyholders in addition to the annual report made by the Society.
  - f) Proposals from the With-Profits Actuary for bonus rates, smoothing, surrender values or market value adjustments in respect of With-Profits policies shall be reviewed by the Committee and recommendations made to the Board for their approval.
  - g) Proposals for changes to the PPFM shall be reviewed by the Committee and recommendations made to the board for approval.
  - h) Compliance with the PPFM.
  - i) The relative interests of policyholders with and without valuable guarantees.
  - j) Any significant changes to the risk or investment profile of the With-Profits fund including the management of material illiquid investments and the Society's obligations in relation to strategic investments.
  - k) The Society's strategy for future sales supported by the assets of the With-Profits fund and its impact on surplus.
  - l) The impact of any management actions planned or implemented.
  - m) Relevant management information such as customer complaints data (but not necessarily information relating to individual customer complaints).
  - n) The costs incurred in operating the With-Profits fund.
  - o) Any other issues with which the Board or Committee considers With-Profits policyholders might reasonably expect the Committee to be involved.



- 2 The Committee shall decide on the specific matters it will consider in order to enable it to carry out its role described in 1 above.
- 3 Any person appointed as a member of the Committee or as a person carrying out the advisory arrangement must have the appropriate skills, knowledge and experience to perform, or contribute to, the Duties set out above.
- 4 The Committee must:
  - a. Advise the Board on the suitability of candidates proposed for appointment as the With-Profits actuary; and
  - b. Assist the Audit Committee in conducting its annual assessment of the performance of the With-Profits Actuary.
5. Consider the recommendations of the Investment Committee regarding the appointment or termination of investment advisers, fund managers or custodians and report the recommendations of the committee to the Investment Committee and Board.
6. Make publicly available its Terms of Reference explaining clearly its role and the authority delegated to it by the Board.

### **Reporting**

In addition to the reporting requirements noted in sections 1-4 above the committee shall ensure:

7. After each meeting of the committee provide a report on its activities and copies of minutes to the Board.
8. The Chair of the committee shall attend the Society's Annual General Meeting to answer member questions on the activity of the committee.
9. The Committee shall make an annual report to With-Profits policyholders, on approval of the Board, recording any significant activity it has undertaken and highlighting any issues that it has raised with the Board.

### **Other Matters**

The Committee shall:

- Be provided by the Society with sufficient resources in order to carry out its duties.
- Be provided by the Society with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- At least once a year, review its own performance, constitution, composition and terms of reference to assess its operational effectiveness and recommend any changes it considers necessary to the Board for approval.



### **Authority**

The Committee is authorised by the Board:

- To seek any information it requires from any employee or director of the Society in order to perform its duties.
- To obtain, at the Society's expense, external legal or other professional advice on any matter falling within its terms of reference.
- To call on any employee to attend a meeting of the Committee as and when required.
- To report in the Annual Report any disagreement between the Committee and the Board that cannot be resolved.

**Approved by the Board: 25 May 2023**

