



## **National Friendly Terms of Reference**

## Introduction

**The Board in accordance with the rules of the Society may delegate any of its power to a sub committee consisting of two or more directors or other persons it considers appropriate.**

**The following committees have been established to ensure the Society has appropriate levels of control and meets all regulatory responsibilities:**

- Audit Committee
- Executive Committee
- Investment Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee
- With-Profits Committee

**The following Terms of Reference are working documents approved by the Chair person of each Committee and as such may not be in a form considered to be clear English.**

**National Friendly is the Trading Name of National Deposit Friendly Society Ltd.**

## THE BOARD OF DIRECTORS

### **PURPOSE**

The purpose of this Terms of Reference is to establish and define the powers and duties of the Board of Directors (Board) which shall come into effect upon adoption by the Board.

### **ROLE AND OBJECTIVES**

To manage the business of the Society, operating in accordance with its regulatory responsibilities and meeting the reasonable expectations of the Society's membership.

### **COMPOSITION**

The Board shall consist of no fewer than 7 individuals, of whom at least 1 shall be a Member Director and no more than 50% shall be Executive Directors; the maximum number of individual will be 9, or other such maximum as determined by the Board from time to time.

The Directors shall from time to time appoint one of their members (who shall not be an Executive Director) as chairman of the Board, and another (who shall not be a Member Director or an Executive Director) as Senior Independent Director, each to hold office for a maximum term of one year (subject to re-appointment).

The quorum for the transaction of the business of the Directors shall be three Directors present in person of whom at least two shall be Non-Executive Directors.

The Company Secretary shall personally or by deputy provide the secretarial function to the Board and shall circulate copies of the Minutes of each Meeting to all Members of the Board and to any other person or persons as may be deemed necessary.

### **POWERS AND DUTIES**

- To exercise the powers and duties of the Board as laid down in the Society's Memorandum and Rules effective from 1<sup>st</sup> December 2006 and as may be amended from time to time thereafter.
- To develop a Strategic Business Plan and associated budget and to review and update same on a regular basis.
- To consider and approve the Annual Business Plan and Revenue & Capital Budgets.
- The appointment and termination of appointment of the Chief Executive.
- The appointment and termination of appointment of the Company Secretary.
- To consider and, when appropriate, approve proposals for business development, including the formation of additional subsidiary operations and other associations with third parties.
- To develop and oversee an investment policy commensurate with the aims and objectives of the Society.
- To review and consider the appointment of investment managers at least once in every three years.
- To appoint and terminate, where necessary, the services of a Head of Actuarial Function and a With Profits Actuary. These appointments may be filled by one person.

- With the advice of the Head of Actuarial Function, the Board will:
  - (i) monitor and control the long term financial condition of the Society;
  - (ii) determine the distribution of surpluses and bonuses;
  - (iii) amend terms of contributions and benefits and development of new products following consultation with the Head of Actuarial Function;
  - (iv) determine the investments of surplus funds;
  - (v) review the financial standing of the Society in respect of its long-term business as required by the Friendly Societies Act and the Financial Services Authority;
  - (vi) monitor and review Individual Capital Assessment;
  - (vii) determine the Long Term Business Provisions;
  - (viii) determine the bonus declarations having regard to the recommendations in the With Profits Report;
  - (v) determine Surrender Values; and
  - (vi) determine Terminal Bonuses.
- To lay before the Annual General Meeting of the Society, the Annual Report and Accounts for the preceding fiscal year.
- To receive from the Chief Executive details in relation to the apportionment of significant responsibilities.
- To receive reports detailing issues relating to, *inter alia*:
  - (i) risk management.
  - (ii) regulatory compliance (including the annual report from the Money Laundering Reporting Officer).
  - (iii) performance against the business plan and Key Performance Indicators.
  - (iv) Treating Customers Fairly.
- To approve a statement in relation to that required under the Friendly Societies Act 1992 and any other legislation in respect of the previous financial year.
- To institute a system of Committees and/or Sub-Committees to act as part of the overall control and review framework of the Society.
- To approve individuals as authorized signatories of the Society.
- To determine matters in respect of officers' liability insurance.
- To obtain information from any employee of the Society to assist in the performance of its duties.
- To make decisions outside of meetings through electronic approval provided any decisions made in this way are formally ratified at the next meeting of the Board.
- To secure the services of outside professional advisers and, if considered necessary, secure the attendance of same at its meetings.
- To consider and report to With Profits policyholders and the FSA on its exercise of discretion in the conduct of With Profits business and compliance with the PPFM. In doing so, consideration will be given to the interests and fair treatment of With Profits customers.
- To declare all significant interests and related third party transactions.

## AUDIT COMMITTEE

### **PURPOSE**

The purpose of this Terms of Reference is to establish and define the powers and duties of the Audit Committee.

### **MEMBERSHIP**

- Members of the Committee shall be appointed by the Board in consultation with the Chairman. The Committee shall be made up of at least three members.
- All members of the Committee shall be Non-Executive Directors who are determined by the Board to be independent and at least one of whom is considered by the Board to have recent and relevant financial experience.
- 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. The Committee may co-opt any Non-Executive Director satisfying the requirements for membership to join the Committee for a meeting or any longer period. The Secretary shall inform the Board when any such co-option has taken place.
- The lead partner or senior representative from both the external auditors and outsourced internal auditors will be invited to attend meetings of the Committee on a regular basis.
- Appointments to the Committee shall be for a period of up to three years, which may be extended for two additional three-year periods, provided the Non-Executive Director remains independent, as determined by the Board, throughout the period of appointment.
- The Board shall appoint the Chairman. In the absence of the Chairman, the remaining members of the Committee present shall elect one of themselves to chair the meeting.

### **ADMINISTRATION**

- Secretary -The Company Secretary or his nominee shall act as the Secretary.
- Quorum- The quorum necessary for the transaction of business shall be two members.
- Frequency of meetings - The Committee shall meet at least four times a year at appropriate times in the financial reporting and audit cycle and otherwise 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. 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 and to all members of the Board.

## **DUTIES**

- Annual General Meeting - The Chairman shall attend the Annual General Meeting of the Society prepared to respond to any questions on the Committee's activities.
- Financial Reporting - The Committee shall review and recommend to the Board for approval:
  - (i) The draft financial statements, including significant financial reporting issues and judgements that they contain, of the Society.
  - (ii) Summary financial statements.
  - (iii) Significant financial returns to regulators by the Society.
  - (iv) Any financial information contained in other documents that require Board approval.
- In carrying out its duties noted in 2, the Committee shall review and challenge where necessary:
  - (i) The consistency of, and any changes to, accounting policies both on a year on year basis and across the Society.
  - (ii) The methods used to account for significant or unusual transactions where different approaches are possible.
  - (iii) Whether the Society has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
  - (iv) The clarity of disclosure in the Society's financial reports and the context in which statements are made.
  - (v) All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit).
- *Internal Controls and Risk* - The Committee shall:
  - (i) Keep under review the adequacy and effectiveness of the internal control and risk management systems of the Society.
  - (ii) Review and recommend to the Board for approval the statements to be included in the Annual Report concerning internal controls and risk management.
- Whistleblowing - The Committee shall review arrangements by which staff within the Society may raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters
- *Fraud* - The committee shall review the Society's procedures for detecting fraud.
- *Internal Audit* - The Committee shall:
  - (iii) Monitor and review the effectiveness of the Society's internal audit function.
  - (iv) Approve the appointment and termination of the Society's Internal Audit providers.
  - (v) Consider and approve the remit of the Society internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
  - (vi) Ensure it has adequate standing and freedom from management or other restrictions.
  - (vii) Review and assess the annual internal audit plan.
  - (viii) Review promptly all reports on the Group from the internal auditors.
  - (ix) Review and monitor management's responsiveness to the findings and recommendations of the Society's internal audit function.

- (x) Meet the Society's Internal Audit lead partner at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits which have been carried out. In addition, the Society's Internal Audit lead partner shall have direct access to the Chairman of the Board and to the Committee, and
- (xi) Monitor and review the liaison and co-ordination of work between the internal and external auditors.
- *External Audit - The Committee shall:*
  - (i) Consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Society's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
  - (ii) Oversee the relationship with the external auditor including (but not limited to):
    - a) approval of the remuneration of the external auditor, whether fees for audit or non-audit services, and satisfying itself that the level of fees is appropriate to enable an adequate audit to be conducted;
    - b) approval of the terms of engagement of the external auditor, including any engagement letter issued at the start of each audit and the scope of the audit;
    - c) assessing annually the independence and objectivity of the external auditor taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of, and level of fees for, any non audit services;
    - d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Society (other than in the ordinary course of business);
    - e) agreeing with the Board a policy on the employment of former employees of the external auditor, then monitoring the implementation of this policy;
    - f) monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Society compared to the overall fee income of the firm, office and partner and other related requirements; and
    - g) assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, including a report from the external auditor on its own internal quality procedures;
    - h) promoting co-ordination with the activities of the internal audit function.
  - (iii) Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage; and at least annually, without management being present, to discuss their remit and any issues arising from the audit.
  - (iv) Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
  - (v) Review the findings of the audit with the external auditor, including:
    - a) a discussion of any major issues that arose during the audit;
    - b) any accounting and audit judgements; and
    - c) levels of errors identified during the audit.
  - (vi) Review any representation letter(s) requested by the external auditor before they are signed by management.
  - (vii) Review the management letter and management's response to the findings and recommendations.

- (viii) Approve and review the implementation of a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.
- (ix) Review the effectiveness of the audit.
- *Reporting Responsibilities - The Chairman shall report formally to the Board on all matters that fall within the Committee's remit.*

## **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 ensure it operates effectively 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 Audit Committee and the Board that cannot be resolved.

## **Definitions**

"Board"	The Board of the Society
"Chairman"	The Chairman of the Audit Committee
"Committee"	The Audit Committee of the Society
"Society"	National Deposit Friendly Society Ltd and any of its material Subsidiaries
"Company Secretary"	The Company Secretary of the Society
"Secretary"	The Secretary of the Committee

## EXECUTIVE COMMITTEE

### PURPOSE

- To define the powers and duties of the Executive Committee that comes into effect upon adoption by the Board.

### ROLE AND OBJECTIVES

- To manage the business of National Deposit on a day to day basis and take operating decisions within the terms of delegated authority provided by the Board from time to time.

### COMPOSITION

- The Executive Committee will comprise the Chief Executive, Company Secretary, Finance Director, Sales & Marketing Director, Marketing Manager and Head of Customer Services. The Committee will be chaired by the Chief Executive and will meet at least monthly.
- Minutes of the Executive Committee meetings will be circulated to the Board.

### POWERS AND DUTIES

To:

- Manage all risks pertaining to the Society's business.
- Manage the business on a day to day basis and review performance against budget.
- Prepare and discuss a monthly Management Information Pack identifying major variances and rectifying adverse variances where appropriate.
- Assess the results of various Sales & Marketing initiatives to maximise the return on acquisition expenses.
- To review the development and effectiveness of the Member Relations strategy and implement improvements in response to Member demands and/or the progress of the business.
- To actively seek potential acquisitions for the Society in accordance with the search criteria established by the Board.
- Continually review all products, their relative performance in the market place, the management charging structures and distribution opportunities.
- Ensure that there are appropriate compliance processes which review the quality of new business taken on, monitor persistency and ensure that all policy servicing is in accordance with regulation.
- Oversee the regulatory and legislative responsibilities of the Society and its officers to ensure compliance at all times.
- Prepare an annual Business Plan and submit for approval to the Board.
- Produce quarterly profit forecasts which reflect actual performance to date and predicts the likely year end outcomes with appropriate remedial action where necessary.
- Conduct an annual review of the Strategic Plan with recommendations, modifications, and developments presented to the Board for consideration.
- Manage and review the Investment Portfolio of the Society's assets within the terms and conditions of the Investment Policy.
- Meet with actuarial advisers and assess investment performance and bonus recommendations for submission to the Board.

- Review all strategic projects and ensure that there is an appropriate return on investments and that projects are delivered on a timely basis within budget.
- Review and approve all new business relationships/partnerships designed to promote and distribute National Deposit's existing or future product range.
- Ensure that all suppliers, particularly outsourced arrangements deliver to their service standards and satisfy the business needs of the Society.
- Undertake any other tasks which promote, enhance or develop the long term business aspirations of National Deposit.
- To consider and propose the emoluments of each Non-Executive Director and to submit those proposals to the Board for approval.
- To consider and propose additional emoluments to the Chairmen of the Board and the Board's Sub-Committees

## INVESTMENT COMMITTEE

### **PURPOSE**

The purpose of this Terms of Reference is to establish and define the powers and duties of the Investment Committee.

### **ROLE & OBJECTIVES**

To ensure compliance with the terms of the PPFM in relation to the Investment Strategy and review its continuing appropriateness in the light of changing circumstances with consideration to the needs of both with-profit and non with-profit policyholders.

### **COMPOSITION AND FREQUENCY**

The Investment Committee will consist of three Non-Executive Directors, the Chief Executive, Finance Director and Head of Actuarial Function.

The Committee will meet at least twice per annum.

### **POWERS AND DUTIES**

- To set the Investment Policy in compliance with the terms of the PPFM in respect of with-profit policyholders and in line with the requirements of other non with-profit policy holders.
- To periodically review the appropriateness of the Investment Policy in light of current circumstances of the Society, in particular in respect of capital requirements and overall market conditions.
- To oversee the application of the Investment Policy:
  - (i) appointing/terminating the Society Fund Managers.
  - (ii) determining the asset allocation and performance benchmarks.
  - (iii) monitoring the performance of the Funds.

## NOMINATION COMMITTEE

The Nomination Committee meets as required to lead the appraisal process for appointments to the Board making recommendations to the Board and members on the appointment or re-appointment of Directors

It is authorised by the Board to obtain external, legal, or professional advice and to secure the attendance of such advisers at meetings if it considers this to be appropriate.

### MEMBERSHIP

The Nomination Committee shall comprise of a majority of Non-Executive Directors. The Chairman of the Nomination Committee shall be a Non-Executive Director. The Society's Secretary shall act as Secretary to the Nomination Committee.

### AUTHORITY AND PURPOSE

The Nomination Committee is authorised by the Board to lead the appraisal process for appointments to the Board and to make recommendations to the Board and members on the appointment or re-appointment of Directors.

The Nomination Committee is authorised by the Board to obtain external, legal, or professional advice and to secure the attendance of such advisers at meetings if it considers this to be appropriate.

### DUTIES AND RESPONSIBILITIES

- Evaluate the balance of skills, knowledge, and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Consider candidates from a wide range of backgrounds and look beyond the traditional sources.
- Conduct an annual assessment of the time commitment required from Non-Executive Directors.
- Give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the company and what skills and expertise are needed on the Board in the future.
- Review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.
- Keep under review the leadership needs of the organisation, both Executive and Non-Executive, giving consideration to the continued ability of the organisation to compete effectively in the marketplace.
- Make a statement in the Annual Report about its activities; the process used for appointments and explain if external advice or open advertising has not been used; the membership of the Committee, number of Committee meetings and attendance of members over the course of the year.
- Make publicly available its Terms of Reference explaining clearly its role and the authority delegated to it by the Board.
- Ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service, and involvement outside Board meetings.
- Make recommendations to the Board concerning the re-election of any Director under the retirement by rotation provisions in the Society's Rules.
- Make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time.

## REMUNERATION COMMITTEE

### **PURPOSE**

To define the powers and duties of the Remuneration Committee that comes into effect upon adoption by the Board.

### **ROLE AND OBJECTIVES**

To manage the overall remuneration policy of the Society.

### **COMPOSITION**

The Remuneration Committee will comprise at least three Non-Executive Directors. The Chief Executive shall attend on an ex-officio basis as required.

The Chairman of the Remuneration Committee shall be a Non-Executive Director.

The Committee shall meet as required but at least once a year. The quorum necessary for the transaction of business shall be 50% of the Committee, but must include two Non-Executive Directors.

### **DUTIES AND RESPONSIBILITIES**

- To review and approve an appropriate remuneration package for members of the Executive Committee.
- To review and approve targets for any performance-related pay schemes.
- To review and approve all remuneration and incentive programmes for Managers, Consultants and Staff.
- To review and approve the policy for and scope of pension arrangements for members of the Executive Committee.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Society.
- To observe best practice corporate governance guidelines as regards Executive remuneration, including disclosure requirements and avoidance of conflict between business objectives and compliance with legal and regulatory requirements.
- Agree the policy for authorising claims for expenses from the Chief Executive.

### **RESTRICTION**

- The Remuneration Committee will not consider or approve the remuneration of Non-Executive Directors.
- The Executive Committee will consider and propose the emoluments of Non-Executive Directors which will be approved by the Board.

## RISK MANAGEMENT COMMITTEE

### PURPOSE

- The purpose of this Terms of Reference is to establish and define the powers and duties of the Risk Management Committee.

### MEMBERSHIP

- Members of the Committee shall be appointed by the Board in consultation with the Chairman. The Committee shall be made up of at least four members.
- Members of the Committee shall be the Company Secretary, Non-Executive and/or Executive Directors with at least one of whom is considered by the Board to have recent and relevant Risk Management experience.
- 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. The Committee may co-opt any Non-Executive or Executive Director satisfying the requirements for membership to join the Committee for a meeting or any longer period. The Chairman shall inform the Board when any such co-option has taken place.
- The Board shall appoint the Chairman. In the absence of the Chairman, the remaining members of the Committee present shall elect one of themselves to chair the meeting.

### ADMINISTRATION

- *Secretary* -The Risk Manager or his nominee shall act as the Secretary.
- *Quorum*- The quorum necessary for the transaction of business shall be three members.
- *Frequency of meetings* - The Committee shall meet at least four times a year at appropriate times and otherwise as required.
- *Notice of meetings* - Meetings of the Committee shall be summoned by the Secretary at the request of any of its members.
- 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. 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.

### DUTIES

- *Annual General Meeting* - The Chairman shall attend the Annual General Meeting of the Society prepared to respond to any questions on the Committee's activities.
- *Risk Reporting* - The Committee shall review and recommend to the Board for approval:
  - (i) A risk appetite statement.
  - (ii) Summary report of any significant loss events.
  - (iii) Annual risk management report.
- *Internal Controls and Risk* - The Committee shall:
  - (i) Keep under review the adequacy and effectiveness of the risk management systems of the Society.
  - (ii) Review and recommend to the Board for approval the statements to be included in the Annual Report concerning risk management.

- *Risk Management* - The Committee shall:
  - (i) Oversee the embedding of a risk culture in the Society enabling the consideration of risk to form part of any decision making process.
  - (ii) Make suitable recommendations as to the systems, controls and performance indicators that are required to allow for the management of risk and monitor the implementation.
  - (iii) Receive regular reports from the Risk Management Working Party.
  - (iv) Oversee the impact of emerging regulatory risks and issues.
  - (v) To provide a means of maintaining systems and procedures that meet regulatory requirements.
  - (vi) Oversee the Society Money Laundering policies so that they are proportionate to the risk involved and cost effective
  - (vii) To review changes to the Society's internal and external environment that impact on its Money Laundering risks
  - (viii) Ensure the Individual Capital Assessment is prepared in accordance with the Risk Management Framework
  - (ix) Recommend the Risk Strategy to the Board
  - (x) Meet the Society's Risk Manager at least once a year, without management being present, to discuss their remit and any issues arising from the risk and control assessments which have been carried out. In addition, the Society's Risk Manager shall have direct access to the Non-Executive member(s) of the Committee.
- *Reporting Responsibilities* - The Chairman shall report formally to the Board on all matters that fall within the Committee's remit.

## **OTHER MATTERS**

- The Committee shall:
  - (i) Be provided by the Society with sufficient resources in order to carry out its duties.
  - (ii) 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.
  - (iii) At least once a year, review its own performance, constitution, composition and terms of reference to ensure it operates effectively and recommend any changes it considers necessary to the Board for approval.

## **AUTHORITY**

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

## **Definitions**

“Board”	The Managing Board of the Society
“Chairman”	The Chairman of the Risk Committee
“Committee”	The Risk Management Committee of the Society
“Society”	National Deposit Friendly Society Ltd and any of its material Subsidiaries
“Company Secretary”	The Company Secretary of the Society
“Secretary”	The Secretary of the Committee
“Risk Manager”	The Manager appointed with day to day responsibility for managing risk; this is currently the Business Services Manager.

## WITH PROFITS COMMITTEE

### **PURPOSE AND ROLE**

- The underlying purpose of the With-Profits Committee (“WPC”) is to independently monitor and bring some independent judgement to the extent to which procedures, systems and controls are adequate and effective to enable National Deposit to comply with the requirements contained within the FSA Handbook over the management and governance of with profits business.
- The WPC is a Sub-Committee of the Board and its purpose does not take away responsibility or accountability from the Board. In advising and reporting to the Board, the WPC should monitor and consider all relevant issues, including but not limited to:
  - (i) The rights, interests or expectations of different classes and generations of with profits policyholders.
  - (ii) The way in which the Society exercises discretion in the conduct of the with profits business.
  - (iii) The way in which the Society addresses competing or conflicting rights, interests or expectations of its policyholders (or groups of policyholders).
  - (iv) Any communication with policyholders relating to either the principles or practices set out in the PPFM.
  - (v) Proposals from the With Profits Actuary for bonus rates, surrender values or Market Value Adjustments in respect of with-profits policies.
  - (vi) Proposals for changes to the PPFM.
  - (vii) Compliance with PPFM.

### **MEMBERSHIP**

- The WPC shall be appointed by the Board and shall consist of at least three
- Non-Executive Directors. In addition, where appropriate, the WPC may seek independent advice from qualified and independent third parties.
- The Chairman shall be appointed by the Board.
- No member of the WPC may hold an Executive position within the Society or elsewhere in the group.
- No member of the WPC may be appointed if they have acted within the year preceding a proposed first appointment to the WPC as a professional adviser to the Society or elsewhere in the group.
- A quorum shall be any two members.

### **FREQUENCY**

The WPC will meet to review bonus recommendations and further as required.

### **AUTHORITY**

The WPC may investigate any activity within its terms of reference. It may set parameters for specific investigations required to be conducted by the With Profits Actuary.

The WPC may obtain outside professional advice, in particular from the With Profits Actuary, and, where appropriate, invite outsiders with relevant experience to attend the meetings.

### **REPORTING PROCEDURES**

Minutes of meetings of the WPC shall be circulated to all members of the Board and the With Profits Actuary.

The WPC shall make an annual report to with profits policyholders, recording any significant activity it has undertaken and highlighting any issues that it has raised with the Board.