

RAILWAY ENGINEMEN'S ASSURANCE SOCIETY LIMITED

MANAGEMENT COMMITTEE - With-Profits Advisory Arrangement

With-Profits Advisory Arrangement Terms of Reference

Reference to the "Committee" shall mean the Management Committee. Reference to the "FCA" shall mean the Financial Conduct Authority. Reference to the "PPFM" shall mean the Principles and Practices of Financial Management.

Reference to the "WPAA" shall mean the With-Profits Advisory Arrangement.

1. Membership

- 1.1** Members of the WPAA shall be appointed by the Committee. The WPAA will consist of a minimum of three independent non-executives.
- 1.2** The Chair of the WPAA shall be elected from amongst their number, annually, by the members of the WPAA. In the absence of the WPAA Chair the remaining members present shall elect one of their number to chair the meeting.
- 1.3** Only members of the WPAA have the right to attend and vote at WPAA meetings. However, other individuals may be invited to attend for all or part of the meeting, as and when appropriate.
- 1.4** The Society's With-Profits Actuary would normally be in attendance at meetings unless specifically asked not to be present for part of the meeting where matters of appointment, performance, independence or fees are being discussed.
- 1.5** Other members of the Committee may attend the WPAA meetings, as observers, by prior agreement with the Chair.
- 1.6** The Chief Executive, Finance Manager and General Manager will be in attendance at all meetings.

2. Secretary

- 2.1** The Chief Executive, or other such person approved by the WPAA, shall act as secretary.

3. Quorum

- 3.1** The quorum necessary for the transaction of business shall be two.

4. Frequency of Meetings

- 4.1** The WPAA shall meet at least twice a year and at such other times as the Chair of the WPAA shall require.

5. Notice of meetings

- 5.1** Notice of each meeting confirming the venue, time and date shall be forwarded to each member of the WPAA no later than five working days before the date of the meeting.

6. Minutes of meetings

- 6.1** The proceedings and resolutions of all WPAA meetings shall be minuted.
- 6.2** Minutes of the WPAA meetings shall be circulated to all members of the WPAA, the With-Profits Actuary and to appropriate attendees.

7. Role and responsibilities

- 7.1** The WPAA is advisory in nature i.e. it is not a decision-making body. Its role is to inform the decision making of the Committee. The WPAA acts to protect the interests of With-profits policyholders including consideration of the conflicting rights and interests of different types and generations of policyholder in a way that is consistent with the fair treatment of customers.
- 7.2** The WPAA shall:
- Provide advice and guidance to the Committee on any matters the With-profits policyholders might reasonably expect the WPAA to scrutinise;
 - Assess, report on, provide clear advice and, where appropriate, recommendations to the Committee on:
 - The manner in which the With-profits business is managed and whether this is properly managed within the principles and practices of the PPFM,
 - Whether the Society has complied with the principles and practices as set out in the PPFM and whether they and the PPFM remain appropriate,
 - Any proposed amendment to the PPFM.
 - Review the way in which the Committee has exercised, or proposes to exercise, its discretion in the management of the With-profits business including, but not limited to, matters relating to the calculation and application of asset shares, smoothing and bonus declarations;
 - Review the way the Committee identifies surplus, and the merits of its distribution as against its retention;
 - Review customer communications such as bonus notifications and product literature;
 - Review and challenge the statutory valuation assumptions and the asset share methodology;
 - Challenge any significant changes, or proposed changes, to the risk profile or the investment strategy of the Society;
 - Review and if necessary challenge the Committee's strategy for new business;
 - Monitor the level and nature of complaints;
- 7.3** The WPAA shall also advise the Committee on the suitability of candidates proposed for appointment as the With-profits Actuary and assess the performance of the With-Profits Actuary at least annually, reporting its view to the Committee.
- 7.4** The WPAA shall also consider regulatory developments relating to With-Profits business and developments in the regulators' supervision of With-Profits business reporting to the Committee on the potential impact on policyholders.

8. Reporting responsibilities

- 8.1** The WPAA Chair, or where appropriate his nominee, shall report formally to the Committee on its proceedings after each meeting on how it, the WPAA, has discharged its responsibilities to With-profits policyholders.
- 8.2** The WPAA shall make whatever recommendations to the Committee it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3** The Committee shall promptly feedback to the WPAA the decisions made by the Committee in relation to the advice and recommendations given to it by the WPAA.
- 8.4** If the Committee departs in any material way from the advice or recommendations of the WPAA, it shall set out fully its reasons and allow the WPAA a reasonable period to consider them and to respond.
- 8.5** If following such a response the Committee still wishes to depart in any material way from the advice or recommendations of the WPAA, the WPAA shall have the right to make further representations to the Committee. Again the Committee shall set out fully its reasons for the continuing departure from the WPAA's advice or recommendations.
- 8.6** The Society shall notify the FCA, or any appropriate authority, in the event that the Committee departs from the WPAA's advice or recommendation on any significant issue, provided that the matter has been escalated within the Society first and if the WPAA considers it to be in the interests of the Society whilst recognising that such a notification is likely to be made only in exceptional circumstances.
- 8.7** The WPAA shall produce a report, in accordance with any applicable governance code and any other relevant regulations or guidance, to be included in the Society's Financial Statements, and ensure that all appropriate disclosure obligations are fulfilled.
- 8.8** The WPAA shall have the right to require a report, written and approved by the WPAA, to be published to the Society's members.

9. Other

- 9.1** The WPAA is authorised to obtain, at the Society's reasonable expense the opinion and input of the With-profits Actuary on any matters within its terms of reference in accordance with any procedures agreed by the Committee.
- 9.2** The WPAA is authorised to obtain, at the Society's reasonable expense, outside legal or other professional advice on any matters within its Terms of Reference in accordance with any procedures agreed by the Committee.
- 9.3** When there is an agenda item which poses a conflict of interest for any WPAA member that member shall declare his or her conflict of interest. Following declaration of a conflict of interest a member of the WPAA shall be entitled to participate fully in all discussions and vote on the matter in-hand.
- 9.4** The WPAA shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

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