

British Friendly Society

Risk and Investment Sub-Committee

Terms of Reference

1. Introduction

- a) The Risk and Investment Sub-Committee (“the Sub-Committee”) is a Sub-Committee of the British Friendly (“the Society”)’s Board (“the Board”), which is the primary decision making body of the Society. The Board and all of its sub-committees are established pursuant to the Society’s Articles of Association (“the Articles”) and, unless specifically stated otherwise, the terminology, words or expressions used in these Terms of Reference have the same meaning as in the Articles.

2. Membership

- a) The Sub-Committee shall consist of its Chairman, and three further Non-Executive Directors of the Board.
- b) The Board shall appoint one of its Non Executive Director members (but excluding the Chairman of the Board) to act as the Chairman of the Group. The Chairman of the Sub-Committee or at least one other member of the Sub-Committee shall hold or have held a senior risk position at a relevant stage during his/her career.
- c) Members of the Sub-Committee shall be appointed for a three year term and will normally be eligible for re-election only once a year.
- d) Only members of the Sub-Committee shall have the right to attend meetings. However, representatives of the Senior Leaders Group, including the Chief Executive Officer, Finance Director and Risk and Compliance Director, together with the Chief Actuary, as require, will normally be expected to attend in an advisory capacity.
- e) Other Board members may attend meetings of the Sub-Committee’s invitation.

3. Duties of the Sub-Committee

The duties of the Sub-Committee shall be too:

- a) Risk
 - oversee the Society’s Enterprise Risk Management Framework, including monitoring of its Risk Register (ensuring compliance with Articles 44(1) and 44(2) of the Solvency II Directive);
 - advise the Board on the Society’s overall risk appetite, tolerances and strategy, taking into account emerging risks and financial industry changes that may be relevant to the Society’s risk policies;

- consider and approve the terms of reference of the Risk Management Function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively, whilst having adequate independence from management (the first line of defence);
- ensure that the Risk and Compliance Director has direct access to the Chairman of the Sub-Committee and the Board; and

b) Investment

- to appoint Investment Managers and undertake a formal review every three years;
- to monitor, review, approve and make recommendations in respect of Investment Management functions;
- to review and recommend to the Board appropriate asset allocation of investments having taken advice from the Actuary;
- upon request by the Investment Managers review and approve any variations to the Society's strategic asset allocation ranges; and
- consider the investment strategy, after receiving reports from the investment managers, and report to the board on recommendations.

4. Meetings

- a) The quorum for each Sub-Committee shall be two members.
- b) The Sub-Committee shall meet at least three times per annum, with scheduled meetings being held in January, April and September. If necessary, the Sub-Committee shall hold further meetings from time to time, as may be called by the Company Secretary of the Society or by any member of the Sub-Committee.
- c) At least once a year the Sub-Committee shall have the opportunity to meet with the Investment Managers.
- d) Unless otherwise agreed notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, with all available supporting papers, shall be forwarded to each member of the Sub-Committee and any person required or invited to attend, no later than five working days before the date of the meeting.
- e) Appendix I details the schedule of regular agenda items for the Sub-Committee.
- f) The Chairman shall chair each meeting of the Sub-Committee. If the Chairman is absent the other Directors present shall choose one of their number as Chairman for that meeting.
- g) The meetings shall be minuted, including recording the names of those present and in attendance. The Sub-Committee will report its recommendations to the Board at the next meeting following the Sub-Committee's meeting.
- h) The Sub-Committee shall provide the Board with copies of the minutes of each meeting.

5. Authority

- a) The Sub-Committee is authorised by the Board to:
 - i. undertake any activity that falls within its terms of reference;
 - ii. seek any information that it may require from internal and external sources to carry out its role; and
 - iii. obtain independent external professional and/or legal advice at the Society's expense as necessary.

6. Reporting Procedures

- a) The Chairman of the Sub-Committee will make reports on the work of the Sub-Committee to the Board.
- b) The Sub-Committee shall make recommendations to the Board it deems appropriate on any area within its terms of reference.

7. Miscellaneous

- a) The Sub-Committee shall have access to sufficient resources in order to carry out its duties.
- b) At least once a year, the Sub-Committee shall:
 - i. review its own constitution and terms of reference to ensure it is operating effectively and shall recommend the changes that it considers necessary to the Board for approval; and
 - ii. review its own performance and report on the review and any recommendations to the Board.

Adopted by the Board on

Appendix I

Schedule of regular agenda items for the Risk and Investment Sub-Committee

For each regular meeting

Apologies
Declaration of any conflicts of interest
Minutes of the previous meeting
Matters arising from the previous meeting
Dates and venues of future meetings of the Sub-Committee
Risk Report
Investment Review

January

Previous year investment performance
Risk Appetite Statements

April

Property Manager's Report/Portfolio Review
Review of Vestra Management Performance
Review of SII Standard formula appropriateness

September

Investment Policy Review
Investment Review
Property Manager's Report/Portfolio Review
Review Sub-Committee Terms of Reference
Review of the Risk and Investment Sub-Committee constitution and performance
Review the ORSA