

# Wesleyan Assurance Society

## Terms of Reference for Investment Committee

<b>1. Scope and Purpose</b>	<p>The Investment Committee is a sub-committee of the Society Board.</p> <p>The purpose of the Investment Committee is to provide advice to the Boards of the Society and WUTM in the following areas:</p> <ul style="list-style-type: none"><li>▶ <b>Investment Strategy</b></li><li>▶ <b>Asset Manager Performance</b></li><li>▶ <b>Investment Governance and Reporting</b></li></ul>
<b>2. Roles and Responsibilities</b>	<p>The Investment Committee oversees the performance and operation of the Society's investments and provides advice to the Boards of the Society and WUTM in the following areas:</p> <p><b>Investment Strategy:</b></p> <ul style="list-style-type: none"><li>▶ Statement of Investment Principles for each fund, including Strategic Asset Allocation, allowable ranges, risk profile and risk limits, and appropriateness of benchmarks.</li><li>▶ Investment Beliefs</li><li>▶ Sustainable Investing Policy</li><li>▶ Key decisions relating to new asset classes or change of Asset Manager</li></ul> <p><b>Asset Manager Performance:</b></p> <ul style="list-style-type: none"><li>▶ Examination and attribution of investment performance across all funds</li><li>▶ Review of investment performance against external benchmarks as appropriate.</li><li>▶ Independent challenge to Asset Managers on investment decisions (tactical asset allocation and stock selection)</li><li>▶ Review and assessment of effectiveness of the Asset Manager, recommending the appointment of independent advisors if necessary</li><li>▶ Adherence to the terms of the Statement of Investment Principles, Sustainable Investing Policy, Best Execution Policy and other governing documentation</li></ul> <p><b>Investment governance and reporting:</b></p> <ul style="list-style-type: none"><li>▶ Review investments against sustainability targets across all funds</li><li>▶ Consideration of the best interests of members and policyholders, in line with FCA Consumer Duty regulation.</li><li>▶ Reporting to the With Profits Committee and Society / WUTM Boards on any issues which impact the interests of members and policyholders</li><li>▶ Review of relevant investment related policies and reports including Stewardship Code Report</li><li>▶ Reporting of breaches against Statement of Investment Principles, Sustainable Investing Policy, Best Execution Policy and other governing documentation.</li></ul> <p><b>Investment remuneration governance:</b></p> <ul style="list-style-type: none"><li>▶ Review and authorise Investment Benchmarks and Performance Targets used to measure Fund Manager Performance (WUTM Board to authorise performance targets for WUTM Funds)</li><li>▶ Report performance against the benchmarks to HR who will review performance against a balanced scorecard of measures in conjunction with the Director of Investments as set out in the Investments Bonus Scheme. Final Bonus recommendations to be reviewed and approved by the Remuneration Committee.</li></ul> <p><b>Other Governance Requirements:</b></p> <ul style="list-style-type: none"><li>▶ The Committee will be provided with updates on any relevant project related</li></ul>

	<p>activity affecting investment activity e.g., expansion of fund range, extension of distribution for existing funds, updates to relevant systems</p> <ul style="list-style-type: none"> <li>▶ The Committee will receive updates on any relevant, material compliance, risk and audit related issues and advise the Boards of any material issues or breaches.</li> </ul>
<p><b>3. Authority</b></p>	<ul style="list-style-type: none"> <li>▶ The Boards set the policy for the acceptable level of risk within the investment portfolios of the funds. The risk will be mitigated by asset allocation between a range of assets including equities, corporate and government bonds, derivatives, property and cash, by geographical spread and by sector spread as set out in the Investment Beliefs</li> <li>▶ The Boards set strategy on Investment Operations with regards to the appointment of external fund manager mandates and / or outsourcing, having taken advice from the Investment Committee.</li> <li>▶ The Society Board sets the policy for Sustainable Investing for all funds, having taken advice from the Investment Committee. Implementation is delegated to the appropriate Asset Manager. The Investment Committee monitors adherence to the policy, ensures the policy remains appropriate and provides advice to the Board as necessary.</li> <li>▶ The Boards set the policy for strategic asset allocation (via a Statement of Investment Principles (SIP)) for the With Profits, non-profit and unit-linked funds, having taken advice from the Investment Committee. Implementation is delegated to an appropriate Asset Manager.</li> <li>▶ The Investment Committee monitors adherence to these asset allocations, reviews their effectiveness in terms of performance and risk-return profile and provides advice to the Boards on the ongoing appropriateness of investment strategy and selection of asset managers.</li> </ul>
<p><b>4. Governance</b></p>	<p><b>Members</b></p> <ul style="list-style-type: none"> <li>▶ The Investment Committee members shall be appointed by the Society Board from time to time and its composition shall be reviewed at least every three years. It shall consist of not less than three members comprising of non-executive members.</li> <li>▶ Membership is the decision of the Society Board based on recommendations of the People Culture and Governance Committee (PCGC).</li> <li>▶ The Board shall appoint the Chair of the Committee on the recommendation of the PCGC.</li> <li>▶ The Chair has responsibility for overseeing the performance of the Committee. Support will be provided by the Company Secretary, who will be responsible for agenda collation, together with tracking and, where necessary, following up any actions arising.</li> </ul> <p><b>Quorum</b></p> <ul style="list-style-type: none"> <li>▶ Membership of the Investment Committee will consist of not less than 3 members; these members are referred to in the above Membership Section. All members will be voting members. A meeting quorum shall be any 2 non-executive members.</li> <li>▶ The Chair and members may not be represented by an alternate delegate.</li> <li>▶ In any circumstance that majority agreement of any issue or matter cannot be reached then the matter will be referred to the respective Board.</li> <li>▶ The Chair will appoint a deputy in their absence or if unable to nominate a deputy, the Chairman of the Society Board will deputise.</li> <li>▶ In the event of prolonged absence of the Chair, the Committee will revert to the Society Board for direction.</li> </ul> <p><b>Attendees</b></p> <ul style="list-style-type: none"> <li>▶ The Company Secretary (or their nominee, to be agreed with the Chair of the Committee) shall be the secretary of the Committee.</li> <li>▶ Standing attendees are the Director of Investments, Chief Product Officer,</li> </ul>

	<p>Chief Risk Officer, With Profits Actuary and Head of Finance. The Head of Investments, Head of Property, Fund Managers and Lead Product Proposition Manager shall attend relevant sections of the meetings. Other members of management may attend by invitation of the Chair.</p> <ul style="list-style-type: none"> <li>▶ External members may be invited to join the Committee should it be considered appropriate, and these Terms of Reference will be updated to reflect this as necessary.</li> </ul> <p><b>Frequency</b></p> <ul style="list-style-type: none"> <li>▶ The Investment Committee will meet four times per annum with the option of further meetings should they be necessary; these will be scheduled at the discretion of the Chair.</li> <li>▶ Matters may also be covered by email where appropriate.</li> <li>▶ A pre-meeting of members and the Asset Owner will take place prior to the full meeting</li> <li>▶ A post-meeting of members with the Asset Manager will take place after the full meeting.</li> </ul>
<p><b>5. Inputs and Outputs</b></p>	<p>The following sections confirm the inputs and outputs of the Investment Committee which will be prepared and recorded in accordance with the Society's current process at that time.</p> <p><b>Inputs</b></p> <p>Each Committee will require inputs in relation to the scope and remit of the meeting, as applicable:</p> <ul style="list-style-type: none"> <li>▶ Minutes, Actions Log / Matters Arising of the last meeting</li> <li>▶ Asset Owner reports including in relation to investment strategy and governance</li> <li>▶ Investment outlook and performance reporting reports (Asset Manager and Middle Office reports)</li> <li>▶ Sustainable investing updates</li> <li>▶ Reports and proposals relating to risk, audit and compliance matters, in particular investment related regulation</li> <li>▶ Documentation for remuneration decisions</li> <li>▶ Six-monthly updates from Group ALCO</li> <li>▶ Value for money assessments</li> </ul> <p><b>Outputs</b></p> <p>The outputs from the Committee will be minutes and actions as well as any papers which are to be submitted to the Society/WUTM Board / sub-committees to provide direction to the Society.</p> <p>Matters reviewed and recommended at the Investment Committee which require Society/WUTM Board and its associated committees' approval will be taken forward using the practice employed by the Society at that point.</p>
<p><b>6. Conflicts of Interest</b></p>	<p>The Committee will maintain log of conflicts of interest in relation to its members and where conflicts exist will ensure appropriate steps are taken to mitigate these conflicts.</p>
<p><b>7. Relationship With other Committees</b></p>	<p>The Boards of Society and WUTM are responsible for:</p> <p><b>Approving fund objective and risk appetite.</b></p> <ul style="list-style-type: none"> <li>▶ Risk appetite will typically be the strategic asset allocation and the allowable ranges.</li> </ul> <p><b>Approving key policies / strategic decisions</b></p> <ul style="list-style-type: none"> <li>▶ Structure and responsibilities of Asset Manager v Asset Owner</li> <li>▶ Sustainable investment policy</li> <li>▶ Key decisions relating to new asset classes, selection / change of Asset manager, investment philosophy (eg active v passive)</li> </ul> <p><b>Customer outcomes</b></p> <ul style="list-style-type: none"> <li>▶ Summary of fund performance, including value for money</li> </ul>

	<ul style="list-style-type: none"> <li>▶ The Group ALCO will review and challenge the recommendations made to it by the Asset Owner in the following areas, and then provide its views to the Investment Committee:</li> <li>▶ In defining investment objectives and constraints, including Investment Beliefs and in relation to sustainability;</li> <li>▶ The strategic asset allocation and, if required, rebalancing the investment strategy including SIPs;</li> <li>▶ Asset Manager selection recommendations, including the use of external providers if deemed appropriate for specific investments.</li> </ul> <p>Any recommendations relating to risk appetite and strategic asset allocation are discussed at the Investment Committee before presentation to the Boards.</p> <p>The Risk Committee will opine on any changes to Estate and Non Profit Fund SIPs and any changes in asset classes with a significantly different risk profile to existing investments.</p> <p>The Boards receive a written summary of the Investment Committee's recommendations at the next Board meeting.</p> <p>Appendix A sets out further information on the division of Governance responsibilities.</p>
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<b>8. Version Control</b>	<b>Version</b>	<b>Version Date</b>	<b>Produced By</b>	<b>Detail of amendment</b>
	1.1	18 July 2016	Ahmed Farooq	
	1.2	1 August 2016	Ahmed Farooq	Amended post PG feedback
	1.3	24 August (to KPMG)	Ahmed Farooq	Amended post all stakeholder feedback
	1.4	29 August (to Chair)	Ahmed Farooq	Amended post KPMG feedback
	1.5	15 September (to GEM)	Ahmed Farooq	Amended post NM feedback
	1.6		Ahmed Farooq	Amended post tele-meeting with Committee Chair
	1.7	28 September 2016 (to Board)	Ahmed Farooq	Amended post final review meeting with Committee Chair
	1.8	8 November 2017	Ahmed Farooq	Annual review and amended to change frequency of meeting
	1.9	1 October 2018	Jillian Wood	Annual review
	1.10	October 2019	Jillian Wood	Review was an annual refresh and there were no major changes
	1.11	November 2020	Jillian Wood	Annual Review, updated to reflect governance of Front Office Bonus scheme and Sustainable investing policy
	1.12	February 2021	Selena Pritchard	Updated to reflect role of the Committee regarding the

				Investments Bonus Scheme
	1.13	November 2022	Matthew Cooch / James Needham	Updated to reflect change in governance structure
	1.14	November 2023	Matthew Cooch/Selena Pritchard	Minor updates from major refresh 2022, addition of more clarity on responsibilities – Appendix A and changes from Investment Committee review

Appendix A

Governance Structure – Investment Strategy



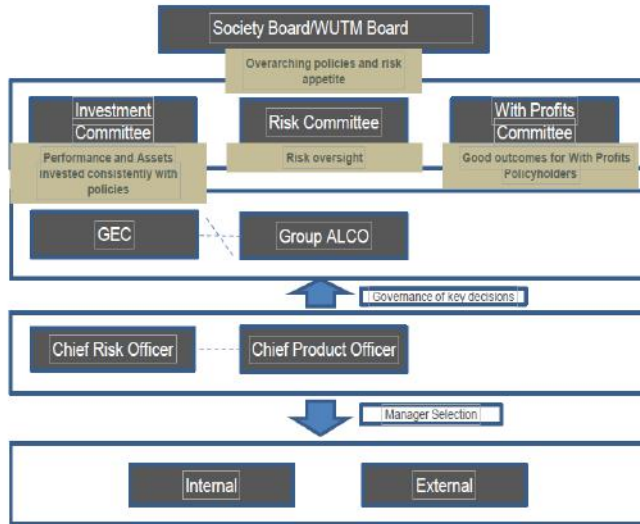
Ultimate responsibility for key policies and risk appetite is with the **Boards**

**Board subcommittees** provide advice to the Boards

**Executive** level challenge of proposals from Group ALCO in particular.

**Asset Owner:** Operational ownership of investment strategy, with oversight from CRO

**Asset Managers:** Invest the assets and make tactical decisions within the remit set by the Asset Owner



### **Board (WUTM Board for WUTM Funds)**

#### **Approve fund objective and risk appetite.**

- Risk appetite will typically be the strategic asset allocation and the allowable ranges.

#### **Approve key policies / strategic decisions**

- Structure and responsibilities of Asset Manager v Asset Owner
- Sustainable investment policy
- Key decisions relating to new asset classes, selection / change of Asset manager, investment philosophy (eg active v passive)

#### **Customer outcomes**

- Summary of fund performance, including value for money

### **Investment Committee (advise the Board)**

#### **Review fund objective and risk appetite.**

- Investment committee will review and challenge SAA and allowable ranges along with appropriate benchmarks for each fund.

#### **Review key policies / strategic decisions**

- Sustainable investment policy
- Statement of Investment Principles
- Key decisions relating to new asset classes, change of Asset manager

#### **Ongoing review**

- Appropriateness of benchmarks
- Review fund performance reports for all funds, including reasons for out / underperformance
- Independent challenge to Asset Managers on investment strategy (TAA and stock selection)