

Confidential

Terms of Reference – Investment Committee

Owner

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Version Control

Contact(s) for Enquiries and Proposed Changes

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Document Tier

Tier	2
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Document Review History

Version	Version Date	Produced By	Detail of amendment
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

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Document Reviewers (Wesleyan unless specified)

Name	Title	Comments
Gillian Cass	Chief Financial Officer	
Priscilla Davies	Investment Committee Chair	
Selena Pritchard	Company Secretary	

Document Sign Off

Name	Title	Signature	Date
Ahmed Farooq	Chief Financial Officer		

Committee Approval (where required)

Version	Committee	Notes/Caveats	Date
1.5	GEM		19 September 2016
1.7	Board		29 September 2016
1.8	Board		30 November 2017
1.9	Investment Committee		9 October 2018
1.10	n/a		
1.11			
1.12	Investment Committee		

Next Review Due

Date due	December 2021
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Purpose

The Investment Committee is a sub-committee of the Board.

The purpose of the Investment Committee is to provide independent oversight of the Group's investment performance and monitor that investments are in line with the Group's investment strategy and Sustainable Investing Policy. (For reference, the Group's Investment Beliefs Policy & Sustainable Investing Policy can be found in Section 15 of the Company Controls Documentation on the intranet).

The Investment Committee oversees the performance and operation of the Society's Investment Operations Business Unit including:

Investment strategy:

- ▶ Review of the strategy for all funds (including With Profits and Estate) in light of the Board's risk appetite and risk framework
- ▶ Review of appropriateness of benchmarks

Investment monitoring:

- ▶ Examination and attribution of investment performance across all funds
- ▶ Review investment performance with use of external benchmarks as appropriate. (Selection of which benchmarks is a matter reserved to the Investment Committee.)
- ▶ Ascertain outlook on key markets
- ▶ Review and assessment of effectiveness of the investment process, appointing independent advisors if necessary

Investment governance and reporting:

- ▶ Review investments against sustainability targets across all funds
- ▶ Consideration of the best interests of members and policyholders
- ▶ Reporting to the With Profits Committee and Board on any issues which impact the interests of members and policyholders
- ▶ Consideration and examination of governance / audit and compliance issues

Investment remuneration governance:

- ▶ Review and authorise fund benchmarks (set annually in December)
- ▶ Monitor performance against benchmarks twice annually (June and December)
- ▶ Report performance against the benchmarks to the Sub Committee established to review performance against a balanced scorecard of measures as set out in the Investments Bonus Scheme. This Sub-Committee will then make bonus recommendations to the Remuneration Committee for consideration.
- ▶ In cases where the Remuneration Committee decides to apply discretion over bonus payments the Chair of the Remuneration Committee will consult with the Chair of the Investment Committee.
- ▶

The Board sets the policy for the acceptable level of risk within the investment portfolios of the Society's 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.

The Board sets strategy on Investment Operations with regards to the appointment of external fund manager mandates and / or outsourcing.

The Board sets the policy for strategic asset allocation (via a Statement of Investment Principles (SIP)) for the With Profits, non-profit and unit-linked funds, delegating implementation to the Director of Investments. The Investment Committee monitors adherence to these asset allocations and makes comments to the Board as necessary in conjunction with the Risk Function and Risk Committee.

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The Board sets the policy for Sustainable Investing for all funds, delegating implementation to the Director of Investments. The Investment Committee monitors adherence to the policy, ensures the policy remains appropriate and makes comments to the Board as necessary.

Any recommendations relating to risk appetite and strategic asset allocation are discussed at the Investment Committee before presentation to the Board.

The Board receives a written summary of the Investment Committee's recommendations at the next Board meeting.

Membership

Members

The Investment Committee members shall be appointed by the 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 and executive members.

The executive members shall be the Chief Executive Officer and Chief Financial Officer. Membership is the decision of the Board based on recommendations of the Nominations Committee.

The Board shall appoint the Chair of the Committee on the recommendation of the Nominations Committee.

Attendees

The Company Secretary (or their nominee, to be agreed with the Chair of the Committee) shall be the secretary of the Committee.

The Chief Actuary, With Profits Actuary, Chief Risk Officer, Director of Investments and Head of Investments / Fund Manager shall normally attend meetings. Other members of management may attend by invitation of the Chair.

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.

HRBP & Reward Advisor to attend the meeting when reviewing the Investment Variable Pay Scheme.

Quorum

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 members.

The Chair and members may not be represented by an alternate delegate.

In any circumstance that majority agreement of any issue or matter cannot be reached then the matter will be referred to the Board.

Ownership

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.

The Chair will appoint a deputy in their absence or if unable to nominate a deputy, the Chairman of the Board will deputise.

In the event of prolonged absence of the Chair, the Committee will revert to the Board for direction.

Frequency

The Investment Committee will meet at least twice per annum with the option of further meetings should they be necessary; these will be scheduled at the discretion of the Chair.

Matters may also be covered by email where appropriate.

In those calendar quarters where an Investment Committee is not held, Executive led 'Investment Business Unit Performance Review' meetings will be held, and these will be chaired by the Chief Financial Officer. Summaries of these performance reviews will be circulated to members of the Investment Committee.

Any matters arising from Investment Business Unit Performance Reviews that need to be brought to the Board's attention will at first be circulated to Investment Committee members by email or ad-hoc meeting if necessary.

Key Responsibilities

The Investment Committee has responsibility for considering in detail, insofar as investment management and performance is concerned:

- ▶ Customer Outcomes
- ▶ Performance across all funds (and benchmarking activity as appropriate)
- ▶ Any compliance, risk and audit issues
- ▶ Fund management strategy
- ▶ Resource issues and requirements
- ▶ Any system issues and requirements
- ▶ Customer requirements / feedback
- ▶ Statement of Investment Principles
- ▶ Key Risk Indicators including TCF issues
- ▶ Review and authorise Investment Variable Pay Scheme

The Investment Committee will be made aware of the Group Asset and Liability Committee (Group ALCO) recommendations and in any circumstance that Group ALCO recommendations are inconsistent with Investment Committee decisions, the matter shall be referred to the Board for resolution. The main purpose of Group ALCO is as follows:

To monitor the asset & liability position of the Wesleyan Group and Society within agreed risk limits and risk appetite and with a view to managing the Society's own capital in an efficient and effective manner within agreed Statement of Investment Principles (SIPs).

Escalation of Issues

Matters reviewed and recommended at the Investment Committee which require Board and its associated committees' approval will be taken forward using the practice employed by the Society at that point.

Inputs / Output

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.

Inputs

Each Committee will require inputs in relation to the scope and remit of the meeting, as applicable:

- ▶ Minutes, Actions Log / Matters Arising of the last meeting
- ▶ Reports showing progress against the annual plans in place at that time and any key issues which may affect the achievement of the same
- ▶ Proposals relating to investment strategy
- ▶ Reports and proposals relating to risk, audit and compliance matters
- ▶ Fund performance documentation (customer facing)
- ▶ Fund performance and attribution analysis
- ▶ Documentation pertaining to fund outlook
- ▶ Documentation for remuneration decisions

Outputs

The outputs from the Committee will be minutes and actions as well as any papers which are to be submitted to the Society Board / sub-committees to provide direction to the Society.

Annual Review

The members of the Committee will review the Terms of Reference at least annually to review its appropriateness and membership. The outcome of the review and any revisions to the Terms of Reference will be presented to the Investment Committee and sent to the Board for approval.