



## Committee Terms of Reference

### HF Holidays Limited (the “Society”)

<b>Committee/ Board approval:</b>	<b>Board</b>
<b>Approved:</b>	<b>1.7.22</b>
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<b>Associated documentation</b>	
<b>Director Code of Conduct</b>	<b>Approved 10.2.21</b>
<b>Rules</b>	<b>Approved 10.12.20 Registered: 31.12.20</b>

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**INTRODUCTION**

Defined terms have the meaning given in the Definitions section.

The Society has the following Committees which support and report to the Board:

- A. People
- B. Product
- C. Performance
- D. Audit and Risk
- E. Chairs'

The Society may have Sub-committees to support and report to any Committee. The Board may approve the formation of Sub-committees as it sees fit from time to time in order to support effective governance. The Board, Committees and Sub-committees shall provide the forum for the effective governance of the Society, which shall support and embed the Society’s Mission, Strategy and Values.



**HF Holidays’ Mission**

**We exist...** To provide shared holiday experiences, which inspire friendship, fun, and an active enjoyment of the great outdoors.

**Because...** We believe that among the things that matter most in today’s busy world are an appreciation of natural beauty, a love of the open air, and the joy of fellowship with one another.

**And our vision is...** to remain an independent, self-sustaining society, with growing, engaged membership, offering guests high quality programmes and facilities, and sociable welcome on all our walking and activity holiday.

## HF Holidays' Values

**Trusted** – We do the right thing

**Collaborative** – In working together we achieve more

**Exceptional experiences** – Our standards are exceptional because we care

**Ownership** – We take responsibility to make things happen

**Inspiring, passionate & fun** – We love what we do and do what we love

In this document:

- **SECTION ONE** sets out general terms of reference applicable to all Committees.
- **SECTION TWO** sets out the specific terms of reference applicable to each of the five Committees.
- **SECTION THREE** sets out the terms of reference applicable to any Sub-committee which may be formed from time to time.
- **SECTION FOUR** sets out the defined terms used in this document.

## SECTION ONE – GENERAL TERMS

### 1. Introduction

The scope of activity and terms of reference for Committees and Sub-committees are determined by the Board.

### 2. Committee and Sub-committee Composition

2.1 Committees and Sub-committees may comprise Directors and Society Members.

2.2 The Board will determine the number of Directors and Society Members to be appointed to each Committee and Sub-committee. Appendix 1 provides an overview of Committee and Sub-committee composition.

2.3 There must always be at least three Directors on each Committee.

2.4 There must always be at least two Directors on each Sub-committee.

2.5 At least one Director member of the Performance Committee must also be a member of the Audit and Risk Committee.

2.6 Each Committee or Sub-committee Chair will be appointed by the Board (after recommendation by the People Committee, or in the case of the Chair of the People Committee, by the Chair of the Board).

2.7 Each Committee Chair may propose new Member candidates for a Committee or Sub-committee to the People Committee and the People Committee will consider such proposals and may then approve the appointments of any Member, with new Member candidates for the People Committee being proposed by the Chair of the Board and Chair of that Committee and approved by the Board.

2.8 Committees and Sub-committees may also have the Society's employees as attendees. These Society employees are not Members (and do not, therefore, have voting rights). It is envisaged that the employee members will include members of the SMT and other employees. Appendix 1 provides an overview of the expected members of the SMT and other employee attendees.

2.9 Committees and Sub-committees may procure specialist advice at the expense of the Society on an ad-hoc basis to support them in relation to particular pieces of Committee or Sub-committee business. The Chair shall request Board authority to incur expense for each such piece of specialist advice. Such authority may be requested by email in accordance with clause 4.9.

### **3. Frequency & Durations of Meetings**

Committees and Sub-committees will meet as often as is necessary to properly fulfil their role. This will include meetings to support the meetings of the Board. Appendix 1 provides an overview of projected frequency and duration for Meetings. Additional meetings of a Committee shall be convened by the Society Secretary at the request of at least two of its Members, or at the request of a member of the SMT with consent of the Chair.

### **4. Attendance, Conduct and Voting**

- 4.1 Members are expected to attend at least 75% of Meetings.
- 4.2 All Directors must observe the Code of Conduct.
- 4.3 All Society Members must observe the Committee Code of Conduct.
- 4.4 At least two Directors must be in attendance for the Meeting to be quorate.
- 4.5 Papers for Meetings should, where possible, be circulated to all Members for consideration at least 5 business days in advance of the relevant Meeting and minutes should, where possible and after approval by the Chair, be circulated to Members and SMT within 10 business days of such Meeting.
- 4.6 Remote participation in Meetings (including securely, by telephone, video conference or via an internet enabled means of communication) is permitted.
- 4.7 Decision making is by consensus and the Chair will work to ensure consensus is reached.
- 4.8 If consensus cannot be reached, the Chair may direct that a matter be put to a vote. For matters put to vote, each Member has one vote and a simple majority will prevail (and in the event of a deadlock, the Chair may either exercise a casting vote or may postpone the decision and request additional information, with the matter and the vote then coming back to a subsequent Meeting).
- 4.9 Decisions may be made via email with all Members eligible to make such decision invited to respond by the Chair or the Society Secretary with their decision by a stated date and time. Where consensus is not reached by the stated date and time, each Member's email decision constitutes one vote and a simple majority will prevail (and in the event of a deadlock, the Chair may either exercise a casting vote or may postpone the decision and request additional information, with the matter and the vote then coming back to a subsequent Meeting). Where a Member who is eligible to vote by email has not responded by the stated date and time, the Chair may choose to request such Member to vote, consider them ineligible to vote or postpone the decision to a subsequent meeting.
- 4.10 The Chair (on recommendation from other Members or of his/her own volition) may invite others (for example, independent experts, the Society's SMT members or other employees and auditors) to attend Meetings and participate. Schedule 1 sets out the recommended attendees for Committee and Sub-committee Meetings but the Chair may determine who the appropriate invitees are in relation to any particular Meeting and request that the Society Secretary invite them.
- 4.11 Committee and Sub-committee membership is voluntary. Appropriate travel expenses, properly incurred under the Society's policies, will be reimbursed.
- 4.12 The Committee's Chair will take responsibility for the smooth running of meetings and reporting to the HF Holidays Board. Alongside the Society Secretary, the Chair will ensure that agenda items are appropriate and allow for sufficient time to cover the areas of responsibility outlined in these Terms of Reference.
- 4.13 In the absence of the current Chair or Vice-chair, the remaining members of the Committee or Sub-committee shall elect one of their number as Chair for the meeting.
- 4.14 The Committee's Chair may be asked, from time to time, to act as an ambassador for the Committee or for HF Holidays.

## **5. Reporting to Directors**

- 5.1 The reporting line of any Sub-committees, which may be formed from time to time, will be determined by the Board. Committees report to the Board.
- 5.2 Committees will thoroughly consider and scrutinize all matters within their remit, including KPIs relevant to them at each meeting, and provide assurances and/or recommendations to the Board. The Chair of each Committee shall represent their respective Committee at meetings of the Board.
- 5.3 Sub-committees will thoroughly consider and scrutinize all matters within their remit and provide assurances and/or recommendations to the relevant Committee. The Chair of each Sub-committee shall represent their respective Sub-committee at meetings of the relevant Committee to which they report.
- 5.4 Minutes will be taken at each Meeting and made available to the relevant Committee Chair (for approval on behalf of and in consultation with the Committee). Such approved minutes will form part of the papers for the next Meeting and will be made available to the Board or in the case of the Sub-committees to the relevant Committee to which they report.
- 5.5 Each Committee shall prepare an annual report and an annual schedule of work to be presented to the Board (usually at a meeting of the Board held in autumn).
- 5.6 A report from each Meeting may be provided to the Board as part of each Board meeting and should be provided where a Committee is providing a recommendation to Board or reporting to Board with respect to a task delegated to such Committee by the Board. Such report may be either provided verbally or by a paper and with respect to each Sub-committee, such report will be provided to the relevant Committee.
- 5.7 Secretariat and administrative support shall be provided by the Society Secretary with support from the Executive Assistant, including the preparation of papers, minutes and meeting notes. The Society Secretary or his/her nominee shall act as Secretary to the Committees and Sub-committees.

## **6. Term of Office**

- 6.1 Committee tenure for a Director is one year from the date of appointment, with the option to extend for further periods of one year (with a maximum tenure equal to such Director's tenure on the Board), provided always that the People Committee in consultation with the Chair of the Board and the relevant Committee Chair may determine that a Director should move from one Committee to another.
- 6.2 A Director will automatically cease to be a Member when they step down as a Director, unless the People Committee recommends for approval to the Board and such approval is given that such retiring Director should be allowed to remain on a Committee or Sub-committee as a Society Member.
- 6.3 Tenure for Society Members is one year from the date of appointment, with the option to extend for further periods of one year (with a maximum tenure of six years from appointment). Any extension will be considered and approved by the People Committee.

## **7. Evaluation of Committee Performance**

- 7.1 Committee performance will be evaluated annually through a self-evaluation process and periodically, in line with the agreed organisational approach, by the People Committee and further, where considered appropriate, by an external assessment. The performance of the Chair will be evaluated by the Chair of the Board, taking into account relevant information, including the views of the relevant Members and others.
- 7.2 The composition of each Committee will be reviewed by the People Committee annually (to ensure that the skills, experience and expertise mix is right) and this will usually take place in the summer. The People Committee will report and make recommendations to the Board.

7.3 These Terms of Reference will be reviewed annually by each Committee.

## **8. Role Description for Society Members**

- 8.1 The Society is inclusive and strives to have diverse Committee and Sub-committee membership with a broad range of relevant skills, expertise and experience which facilitates good decision making and helps to ensure that the relevant Committee or Sub-committee is able to discharge its responsibilities. Compliance with the provisions of the Society's policies in relation to diversity and inclusivity is expected in relation to all decisions about Committee and Sub-committee composition.
- 8.2 In each of the specific Committee Terms of Reference set out in Section Two, details of specific skills and experience requirements for that Committee are set out.
- 8.3 Society Members must share and exhibit the Society's commitment to purpose and values.

Schedule 1

<b>Committee/ Sub-committee Name</b>	<b>Recommended number of Directors</b>	<b>Recommended number of Society Members</b>	<b>Recommended SMT attendees</b>	<b>Recommended other Society employees attendees</b>	<b>Recommended external attendees</b>	<b>Recommended frequency of Meetings</b>	<b>Recommended duration of Meetings</b>
<b>People</b>	Minimum of 4, maximum of 6	Minimum of 0, maximum of 3	One or more of: - CEO - Head of People and Culture - Head of Governance and Society Secretary	- Head of Finance - Head of Hotel Operations - “Leader” Manager		Four times a year	2.5 hours
<b>Product</b>	Minimum of 4, maximum of 6	Minimum of 0, maximum of 3	One or more of: [to be adjusted to reflect any amendments in the structure of the SMT] - CEO - Head of Commercial - Head of Hotel Operations - Head of Governance and Society Secretary	Food and Beverage Manager Operations Manager		Four times a year	2.5 hours
<b>Performance</b>	Minimum of 4, maximum of 6	Minimum of 0, maximum of 3	One or more of: - CEO - Head of Finance - Head of IT and Transformation - Head of Governance and Society Secretary	Estates Manager Membership Manager		Four times a year	2.5 hours
<b>Audit and Risk</b>	Minimum of 4, maximum of 6	Minimum of 0, maximum of 3	One or more of: - CEO - Head of Finance - Head of Governance and Society Secretary	- Risk and Safety Manager	Internal and/or external auditor	Four times a year	2.5 hours
<b>Chairs'</b>	Chair of each of the 4 above committees or, if a chair is unavailable, the vice-chair, plus the Chair of the Board	N/A	- CEO - Head of Governance and Society Secretary			Three times a year	2.5 hours
<b>Sub-committee</b>	Minimum of 1, maximum of 4		- TBC	- TBC		TBC	TBC

## SECTION TWO – SPECIFIC TERMS OF REFERENCE FOR EACH OF THE COMMITTEES

Set out in this section are the specific Terms of Reference for each of the Committees in the following order:

- A. People
- B. Product
- C. Performance
- D. Audit and Risk
- E. Chairs'

Specific Terms of Reference for each Committee are set out under the following headings:

1. Purpose
2. Functions
3. Role Description
4. Delegated Authority

### A. People Committee

#### 1. Purpose

To discuss and agree all aspects of the People element of the Society's strategy including its approach to people and culture, remuneration, nominations, Board effectiveness and development, sustainability and governance matters and report on such matters and recommend any changes to the Board. Certain governance matters may on occasion be delegated to a sub-committee.

#### 2. Functions

Provide an inspiring place to work

- 2.1 review and agree the principles and policies of reward proposed by the SMT for implementation throughout the organisation and make recommendations to the Board as necessary.
- 2.2 review annually the remuneration trends across the organisation.
- 2.3 review, agree and propose to the Board changes to the remuneration, benefits and terms and conditions of employment of the SMT or those individuals employed to function at a similar level .
- 2.4 review, agree and propose to the Board changes to the people and culture strategy of the Society.
- 2.5 review and agree with the SMT the strategy for equality, diversity and inclusion in the organisation.
- 2.6 ensure that there is an effective appraisal process for the SMT.
- 2.7 ensure that the SMT has developed and implemented a People Strategy and Plan, including an appropriate system of appraisal, learning and development and reward throughout the Society.
- 2.8 to give full consideration to succession planning for the SMT and other senior employees in the course of its work.
- 2.9 to keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- 2.10 ensure that there is a clear and actionable plan for the recruitment, development and retention of team members to resource the business, with supporting KPIs, such that it is not constrained by a lack of people
- 2.11 ensure there is a clear and actionable plan for the recruitment, development and engagement of HF walk leaders
- 2.12 to keep up to date and fully informed about strategic issues and commercial changes affecting the Society and the context in which it operates

Deliver co-operative excellence

- 2.13 to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes, taking into account the challenges and opportunities facing the Society, and the skills and expertise needed on the Board in the future.
- 2.14 before any election of new Directors to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the experience and capabilities which would enhance the Board and disseminate this to Members of the Society prior to any election.
- 2.15 ensure that prior to election to the Board, prospective Directors receive information setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.
- 2.16 ensure that effective induction training is available for Directors as well as ongoing training.
- 2.17 in conjunction with the Chair of HF Holidays, develop a process to review Board effectiveness, consider the results and make recommendations to the Board for any subsequent actions .
- 2.18 regularly review, agree and propose to the Board any changes to the composition of the Committees and Sub-committees.
- 2.19 work and liaise as necessary with all other Committees and Sub-committees including appointing new Society Members to any such Committees and Sub-committees and approving extensions to tenure for any such Society Members.
- 2.20 oversee organisational compliance with co-operative governance best practice.
- 2.21 having oversight of the planning of the Society's general meetings.
- 2.22 keep the society's Rules under review and make recommendations for any changes to the Board in advance of submission to members for decision at a general meeting.
- 2.23 with the support of the Society Secretary, maintain awareness of developments in governance best practice, including the Co-operatives UK Code of Governance, and recommend to the Board where these should impact the organisation's activity or approach.
- 2.24 keep the Directors' Handbook under review and recommend any changes to the Board.
- 2.25 with the support of the Society Secretary, consider the extent to which governance arrangements are fit for purpose and make recommendations to the Board for any proposals for change, including those that should then be put to members for decision in a general meeting. Where clarity is required the Committee may request that the Audit & Risk Committee consider specific governance arrangements for consideration as a topic for an internal audit.

Drive sustainability

- 2.26 make recommendations to the Board concerning:
  - o formulating plans for succession for Directors and SMT in particular for the key roles of Chair of the Board and CEO
  - o formulating plans for succession with respect to membership and chairing of the other Committees as appropriate, in consultation with the Chair of the Board and the Chair of those Committees
  - o the re-appointment of any Directors at the conclusion of their specified term of office as Society Members, having given due regard to their existing term of service and performance and ability to continue to contribute to the Committee in the light of knowledge, skills and experience required
  - o all aspects of the Society's policies and approach in relation to social responsibility, sustainability and the environment
  - o ensure there are appropriate policies, plans, activity and KPIs in place to ensure a safe environment for guests and team members

### 3. Role Description

Members are appointed because they have skills, experience and qualities which facilitate good decision making and help ensure that the Committee successfully discharges its responsibilities.

The following are core competencies for Members as a group (no individual Member is expected to demonstrate all competencies):

- the ability to perform an advisory 'critical friend' role with respect to all matters within the remit of this Committee, including making recommendations to the SMT and Board.
- the ability to provide oversight on human resources initiatives, organisational and governance structure and management processes.
- human resources expertise.
- sustainability expertise.

### 4. Delegated Authority

None. All recommendations from the Committee require Board approval before implementation.

## B. Product Committee

### 1. Purpose

To discuss and agree all aspects of the Product element of the Society's strategy including its approach to UK, Europe and Worldwide product, acquisition of new and next generation guests, marketing, the customer journey and customer feedback and report on such matters and recommend any changes to the Board.

### 2. Functions

#### Growth through product

- 2.1 Discuss, review and have oversight of the range of Products offered by the Society, including making recommendations to the Board in relation to the strategic priorities and Product mix to achieve profitable growth through product.

#### Enhance the holiday experience

- 2.2 having oversight of marketing initiatives with a view to acquiring new and repeat guests, meeting KPIs and strategic goals and making recommendations to the Board.
- 2.3 considering customer feedback and data in order to provide input on strategic initiatives relating to Product development and marketing.
- 2.4 monitor the effectiveness and ambition of marketing and customer journey initiatives and make recommendations the Board.
- 2.5 monitor actions and progress towards the strategic aims and KPIs in accordance with the Strategy
- 2.6 provide guidance for Director familiarisation visits based on the needs of the business.

#### Drive abroad growth

- 2.7 review data in relation to product growth in non-HF UK product, Europe and Worldwide and monitor progress against KPIs.
- 2.8 keep abreast of the competitors and landscape in which the Society operates and provide input to support the Society develop.

#### Develop our next generation

2.9 contribute ideas and support initiatives to develop the next generation of Society members.

2.10 monitor the effectiveness and impact of initiatives on develop towards this strategic goal and make recommendations to Board

### **3. Role Description**

Members are appointed because they have skills, experience and qualities which facilitate good decision making and help ensure that the Committee is capable of successfully discharging its responsibilities.

The following are core competencies for Members as a group (for the avoidance of doubt no individual Society Member is expected to demonstrate all competencies):

- experience of product development, specifically with reference to leisure services
- knowledge and experience of the travel sector
- knowledge and experience of the hospitality sector
- managing a significant investment portfolio/endowment
- experience of qualitative market research
- marketing expertise
- experience of the co-operative movement and membership societies.

### **4. Delegated Authority**

None.

## **C. Performance Committee**

### **1. Purpose**

To discuss and scrutinise all aspects of the Performance element of the Society's Strategy including its approach to financial reporting and management, management of its assets, strategic planning, investment in, development and maintenance of its systems and processes and financial sustainability and report on such matters and recommend any changes to the Board. The Performance Committee will review and refine all reports for the Board, ensuring that they include appropriate levels of detail in view of Board's strategic oversight function.

### **2. Functions**

Improve Profitability

- 1.1 develop and keep under review the financial strategy and make recommendations to the Board.
- 1.2 review budgeted, actual and forecast income and expenditure and assess the impact of the financial plans, membership strategy, capex plans and the forecasts associated with the income and expenditure of such plans.
- 1.3 review and assess all financial aspects of the Society including assessing performance against any financial strategic plan and/or the Strategy and make recommendations to the Board for approval.
- 1.4 review long-term business strategies and plans and supporting financial plans on behalf of the Board and recommend them for approval. These should be based on evidence from sales, shareholder funds, market research, member feedback and other appropriate sources of information.
- 1.5 review the budget on behalf of the Board prior to recommending it for approval by the Board.
- 2.7 ensure that any 12 month operating plan encompasses objectives to deliver the strategic aims, that there are KPIs in place to monitor delivery and that risks are identified and mitigated.
- 2.8 provide input with respect to the development of cross organisational KPIs and have oversight of such KPIs.
- 2.9 ensure that financial, membership and strategic progress KPIs are in place to monitor progress against objectives and regularly review and monitor such KPIs (membership KPIs may include non financial metrics which are indicators of member satisfaction).
- 2.10 review, at each meeting, performance against the 12 month operating plan and 12 month operating budget including business, financial, membership and strategic progress KPIs and compliance with covenants applicable to the Society. Where KPIs or covenants are not being met, understand what measures can be taken to address this. Identify priorities for additional expenditure or for savings as actual income dictates. Note that the Committee will receive the financial and strategic performance indicators on a monthly basis regardless of whether there is a meeting that month in order to ensure consistent scrutiny.

#### Protect and Grow Our Assets

- 2.11 review and recommend to the Board for approval the Society's investment policy including principles, stance on ethical investments and attitude to financial risk.
- 2.12 agree the Society's asset allocation strategy in accordance with the investment policy.
- 2.13 review the performance of any of the Society's advisors and, where appropriate, meet them to scrutinise their contribution and make recommendations to the Board.
- 2.14 assess and ensure that the Society complies with relevant tax, financial, legal and regulatory laws, regulations and guidelines.
- 2.15 review the maintenance and condition of the Society's assets and receive reports from the estate manager at least once annually and make recommendations to the Board
- 2.16
- 2.17 to regularly review the management of the Society's assets to ensure that they are used to their optimum in the best interest of members and guests
- 2.18 keep under review all risk and safety matters relevant to the Society and its assets and receive reports from the risk and safety manager at least once annually and make recommendations to the Board.

#### Introduce Smarter Processes

- 2.19 review and make recommendations to the Board with respect to information technology (IT) systems and processes
- 2.20 keep under review the implementation of IT services and/or new technologies and processes and scrutinise their impact in supporting the Society in delivering its Strategy.
- 2.21 have oversight of all business change processes and make recommendations to the Board.

### **3 Role Description**

Members are appointed because they have skills, experience and qualities which facilitate good decision making and help ensure that the Committee is capable of successfully discharging its responsibilities. The following are core competencies for Members as a group (for the avoidance of doubt no individual Society Member is expected to demonstrate all competencies):

- strategic planning in a complex financial environment
- knowledge of IT and business processes
- managing a significant investment portfolio/endowment
- financial leadership, ideally in a sector of relevance to the Society
- statutory reporting
- other relevant financial regulations (e.g. tax)
- recent experience of managing a business or involvement in a commercial enterprise
- experience of change management
- an ability to oversee performance management and progress in relation to KPIs
- at least one Director or Society Member of the Committee must be a finance expert (qualified accountant with a registered and recognised body) with recent and relevant financial experience and competence in accounting.

#### 4 Delegated Authority

None. All recommendations from the Committee require Board approval before implementation.

### D. Audit and Risk

#### 2. Purpose

The general purpose of the Committee is to help the Board meet their responsibilities by: (i) providing independent oversight of the Society's systems of internal control, risk management and financial reporting; (ii) examining and reviewing all systems and methods of control; (iii) supervising the quality, independence and effectiveness of both the internal and external auditors; (iv) having an overview of the Society's organisational and operational risk and management/mitigation processes; (v) ensuring the Society is complying with law, relevant regulations and good practice; and (vi) reporting on the above to the Board.

#### 2. Functions

##### In relation to:

##### **(i) Audit**

##### Internal audit

- a. following input from the SMT and Society Secretary, the Committee has a duty to make recommendations to the Board with respect to:
  - the criteria for selecting an internal audit topic
  - the scope of any proposed internal audit
  - appointing an appropriate provider for the service
  - the benefits to the Society and the Board of any proposed internal audit
- b. review and approve the role and mandate of the internal audit provider and monitor and review the effectiveness of their work.
- c. review and approve the annual internal audit plan to ensure it is aligned to the key risks of the organisation, and receive regular reports on work carried out to deliver the plan.
- d. review the actions taken by SMT to implement the recommendations of internal audit and to support the effective working of the internal audit function.
- e. ensure internal audit has unrestricted scope, resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors.
- f. ensure the internal auditor has direct access to the Chair (thereby providing independence from the SMT and accountability to the Committee).
- g. hold the organisation accountable for the completion of audit plans and all recommendations as appropriate and make recommendations to the Board where appropriate.
- h. request the internal audit team to undertake ad hoc assignments at the direction of the Chair.

### External Audit

- i. consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Society's external auditor.
- j. the Committee must ensure that i) at least once every ten years the audit services contract is put out to tender and ii) the audit partner is considered at least every five years, to enable the Committee to scrutinise the quality and effectiveness of the services provided by the incumbent auditor. Alongside the Society Secretary and the Head of Finance, the Committee will develop and oversee the selection process for the external auditor ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- k. if an external auditor resigns, investigate the issues leading to this and decide whether any action is required
- l. oversee the relationship with the external auditor. In this context the Committee shall:
  - i. approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted.
  - ii. approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
  - iii. assess annually the external auditor's independence and objectivity considering relevant UK law, regulation, ethical standards and other professional requirements.
- m. satisfy itself that there are no relationships between the auditor and the Society (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- n. assess annually the qualifications, expertise and resources and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.
- o. evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.
- p. communicate 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 once a year, meet with the external auditor without the SMT being present, to discuss the auditor's remit and any issues arising from the audit.
- q. discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- r. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - a. a discussion of any major issues which arose during the audit.
  - b. the auditor's explanation of how the risks to audit quality were addressed.
  - c. key accounting and audit judgements.
  - d. the auditor's view of their interactions with the SMT and Society employees.
  - e. nature and levels of errors identified during the audit.
- s. review the management letter and the SMT's response to the auditor's findings and recommendations.
- t. review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

### **(ii) Risk**

#### Internal controls and risk management systems

- a. review and approve all governance statements, including the annual report and accounts, before submission for approval to the Board.

- b. review the Society's compliance with all statutory requirements.
- c. have an overview of and help shape the organisational risk management policies and procedures including monitoring risk appetite and recommendations for Board approval and reviewing our annual risk appetite statement.
- d. have an overview of the policy matrix annually, with consideration given to whether all necessary policies are in place, have an appropriate review schedule and are complied with.
- e. have an overview of risk, including strategic and operational risks and make recommendations to the Board on the management and mitigation of such risks.
- f. review The Society' internal controls and risk management systems that identify, assess, manage and monitor controls/risks.
- g. consider the risk register and, where appropriate, recommend that an up to date version of the risk register will be provided to the Directors.
- h. compile a short report on its key activities to be included in the annual report.
- i. regularly assess internal controls and procedures, including arrangements in respect of insurance, health and safety, cyber security, data protection and information governance.

#### Whistleblowing, compliance, fraud, and bribery

- j. review the adequacy and security of the Society' arrangements for concerns to be raised, in confidence, about possible wrongdoing. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- k. review the Society' arrangements for regulatory compliance, and consider any material findings from regulatory review, and incident reporting.
- l. review the Society' procedures for deterring, detecting, preventing and investigating fraud, bribery and financial crime.

### **3. Role Description**

Members are appointed because they have skills, experience and qualities which facilitate good decision making and help to ensure that the Committee successfully discharges its responsibilities.

The following are core competencies for Members as a group (no individual Member is expected to demonstrate all competencies):

- experience of risk management and the control environment, including an ability to keep oversight of key strategic/audit partnerships.
- an ability to interrogate the integrity of the financial statements, as well as other elements of the annual report and accounts.
- understanding of the regulatory framework relevant to the Society.
- an understanding of good financial management disciplines.
- relevant legal experience.
- it is recommended that at least one Director or Society Member of the Committee has audit or financial experience to enable them to scrutinise the audit process effectively.

It is preferable for one Member to be a qualified accountant.

### **4. Delegated Authority**

None. All recommendations from the Committee require Board approval before implementation.

## **E. Chairs' Committee**

### **1. Purpose**

To discuss and scrutinise all aspects of the Society's Strategy and ensure collaboration between Committees so that that all relevant matters are covered by Committee remit and escalated appropriately to Board.

### **2. Function**

To support the effective governance of the Society by providing a forum for bringing all Committee representatives together to provide oversight of Committee business in order to ensure that all strategic matters are appropriately brought to Board for consideration and decision.

### **3. Role Description**

The Chairs' Committee shall comprise the Chair and Vice-chair of the Board and the Chairs of each of the Committees provided always that if the Chair of any Committee is unavailable, the vice-Chair of such Committee may deputise.

### **4. Delegated Authority**

None.

## **SECTION THREE – SPECIFIC TERMS OF REFERENCE FOR EACH OF THE SUB-COMMITTEES**

The Board may determine the scope and composition of any Sub-committee but it is expected that each Sub-committee formed will comprise a minimum of 1 and a maximum of 4 Directors with a minimum of 2 and a maximum of 8 Society Members.

## **SECTION FOUR - DEFINITIONS**

"Board" means the Directors when meeting and/or acting together

"Chair" means the chair of a Committee

"Chair of the Board" means the Chair of the Board

"Code of Conduct" means the code of conduct for Directors approved by the Board on 10.2.21

"Committee" means a committee or, as the context allows, Sub-committee, of the Society as provided in the Society's Rules

"Committee Code of Conduct" means the code of conduct for Society Members approved by the Board in due course

"Director" means a director of the Society elected by its members

"Executive Assistant" means the person employed as the executive assistant to the CEO

"Head of Governance and Society Secretary" means the person employed in that role by the Society

"Head of Product" means the person employed in that role by the Society

"Head of IT and Transformation" means the person employed in that role by the Society

"Head of Sales, Marketing and Membership" means the person employed in that role by the Society

"Head of Finance" means the person employed in that role by the Society

"Head of People and Culture" means the person employed in that role by the Society

"KPIs" mean the organisational key performance indicators relevant to each Committee and/or Sub-committee

"Meeting" means a meeting of a Committee or Sub-committee, as appropriate

“Member” means a Director or Society Member appointed to be a member of a Committee or Sub-committee, as appropriate

“Mission” means the mission of the Society set by the Board on the Strategy Wheel

“Role Description” means the role description for Society Members set out in this document

“Rules” mean the rules of the Society registered by the Financial Conduct Authority on 31.12.20, as updated or amended from time to time

“SMT” means the senior management team employed by the Society, which includes the Head of Finance, Head of People and Culture, Head of Product, Head of Sales, Marketing and Membership, Head of IT and Transformation, Head of Hospitality, Head of Governance and Society Secretary and the CEO or such other senior management team, as determined by the CEO from time to time

“Society” mean HF Holidays

“Society Members” means those persons, who are admitted to membership of the Society under Rule 8 of the Rules, with expertise and experience who fulfil the Role Description and are appointed to be a Member

“Society Secretary” means the person employed as society secretary from time to time

“Sub-committee” means a sub-committee of the Society as provided in the Society's Rules

“Strategy” means the strategy set by the Board including the specific strategy in respect of People, Product and Performance set out on the Strategy Wheel

“Strategy Wheel” means the diagram setting out the Society's strategy in the introduction section to these Terms of Reference which was launched in 2020

“Terms of Reference” means these Terms of Reference (as amended from time to time)