

Committee Terms of Reference

HF Holidays Limited (the “Society”)

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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 and Remuneration
- B. Product
- C. Performance
- D. Audit and Risk
- E. Governance & Membership
- F. Chairs'

The Society's membership, the Board, its Committees and any Sub-committees that the Board establishes, together, provide the basis for the effective governance of the Society.

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 Committees.
- **SECTION THREE** sets out the terms of reference applicable to any Sub-committee which may be established from time to time.
- **SECTION FOUR** sets out the defined terms used in this document.

SECTION ONE – GENERAL TERMS

1. Introduction

The Board determines the scope of activity and terms of reference for Committees and Sub-committees.

Members are appointed to a particular committee because they have skills, experience, and qualities that facilitate good decision-making and help ensure that the Committee is capable of successfully discharging its responsibilities. Committee members will have the ability to perform an advisory 'critical friend' role with respect to all matters within the committees' remit, including making recommendations to the SMT and Board. Committees do not have standing delegated authority from the Board. All recommendations from the Committee require Board approval before implementation.

2. Committee and Sub-committee Composition

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

2.2 The Board will confirm each year at the first meeting after the AGM what Committees and Sub-Committees are required.

2.3 There must always be at least two Directors on each Committee or Sub-Committee. The chair of the Board will ex officio be a member of any committee except for the Audit and Risk Committee.

2.4. There is no maximum number of committee members in each 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 The Society Secretary will attend all committee and sub-committee meetings.

2.7 The Board will appoint the Chair of each Committee or Sub-Committee. Each Committee or Sub-committee shall appoint their own Vice-Chair.

2.8 The Board will make appointments of Directors and, where appropriate, Society members to each Committee as soon as the outcome of the Board elections is known. The Chair of the Board will facilitate this process based on the skills required for each committee.

2.9 Attendance at a committee meeting is at the discretion of the Chair, with the advice of the CEO. Each Committee will be supported by the CEO or by a relevant SMT member designated by the CEO. Other SMT or staff members, auditors or other advisors may be invited to attend a committee meeting as necessary. Staff are not committee members and do not have voting rights.

2.10 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 Committee Chair shall request Board authority to incur expenses for each such piece of specialist advice. Such authority may be requested by email in accordance with clause 4.9 (decisions via email). Any independent professional advice will be obtained through the Society Secretary.

2.11 The Society is inclusive and strives to have diverse Committee and Sub-committee membership with a broad range of relevant skills, expertise and experience, in accordance with the Equity, Diversity and Inclusion Policy.

2.12 Society members must share and demonstrate the Society's commitment to purpose and values.

3. Frequency & Duration of Meetings

Committees and Sub-committees will meet as often as necessary to fulfil their role properly, before the Board 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 the consent of the Chair. Committee Meetings should normally be scheduled for no more than 2.5 hours.

4. Attendance, Conduct and Voting

4.1 Committee Members are expected to attend at least 75% of Meetings.

4.2 Committee Members must observe the relevant provisions of the Board Code of Conduct.

4.3. For a meeting to be quorate, at least two directors must be present.

4.4 Papers for Meetings should, where possible, be circulated to all committee members for consideration at least five 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 ten business days of such Meeting.

4.5 The Governance app Convene will be used for the circulation of committee papers. The Minutes will be approved at the next Committee 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 Committee Chair will work to ensure that consensus is reached. If consensus cannot be reached, the Committee Chair may direct that a matter be put to a vote. For matters put to a vote, each committee member has one vote, and a simple majority will prevail. Decisions may be made via email and all with all members eligible to make such decision are invited to respond by the Chair or the Society Secretary with their decision by

a stated date and time. Where consensus is not reached, each member's email decision constitutes one vote and a simple majority will prevail. In the event of deadlock, the Chair may either exercise a casting vote or postpone the decision and request additional information, with the matter and a vote then coming back to a subsequent Meeting. Where a committee member who is eligible to vote has not responded by the stated time, the Chair may request such member to vote, consider them ineligible to vote or postpone the decision to a subsequent meeting.

4.8 Each Committee Chair will liaise with the Society Secretary to agree the agenda items for each meeting in accordance with these Terms of Reference.

4.9 In the absence of the Chair or Vice-chair, the remaining members of a Committee or Sub-committee shall elect one of their number as Chair for the meeting.

5. Reporting to the Board of Directors

5.1 After each Committee meeting, the Committee Chair/Society Secretary will provide a one-page summary report to the Chairs Committee and to the Board at the subsequent Board meeting. The report will outline the discussions, recommendations for approval by the Board, and concerns raised at the Committee meeting. Each agenda item will be presented by the relevant Senior Management Team (SMT) member, with support from the Committee Chair.

5.2 Committees (and any Sub-Committees) will thoroughly consider and scrutinize all matters covered by their Terms of Reference at each meeting.

5.3 Each Committee Chair, in conjunction with the Society Secretary, shall prepare a 12-months schedule of work/planner to be used in the committees' agenda settings. The Committee Chair will make an annual report to the Board (usually at the board meeting held before the AGM).

5.4 Advice and administrative support shall be provided by the Society Secretary (and other Society staff as necessary) including but not limited to acting as Secretary to each Committee and Sub-Committee, to support the preparation of meetings, papers, minutes and meeting notes.

6. Term of Office

6.1 Committee tenure for a Director is one year from the date of appointment to that Committee, with the option to extend for further periods of one year.

6.2 Committee membership of a Director will cease at the point that they cease to be a Director, unless the Board approval is given that such Director shall be invited to remain on a Committee or Sub-committee as a co-opted member.

7. Evaluation of Committee Performance

7.1 Committee performance will be evaluated annually through an evaluation process, in line with an approach agreed by the Board, following consideration by the Governance & Membership Committee.

7.2 The Chair of the Board will evaluate each committee chair's performance, taking into account relevant information, including the views of the relevant members and others.

7.3 The composition of each Committee will be reviewed by the Governance & Membership Committee annually (to ensure that the skills, experience and expertise mix is right) and this will usually take place in the summer. The Governance & Membership Committee will report and make recommendations to the Board.

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

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 (including Remuneration)
- B. Product
- C. Performance
- D. Audit and Risk
- E. Governance & Membership
- F. Chairs'

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

- 1. Purpose
- 2. Functions, as per the Strategic Objectives from the Society's Strategy Wheel
- 3. Skills and Experience

A. PEOPLE COMMITTEE (INCLUDING REMUNERATION)

1. Purpose

To discuss, agree and track the progress of all aspects of the People element of the Society's strategy including its approach to people and culture, health and safety, remuneration, sustainability and to report on such matters and recommend any changes to the Board.

2. Functions

Provide an inspiring place to work and volunteer

2.1 Review, agree and propose to the Board changes to the People and Culture strategy of the society.

2.2 Review and agree with the SMT the strategy for Equality, Diversity and Inclusion in the organisation and subsequently track progress

2.3 Ensure there are effective appraisal, succession, learning and development and resource planning processes in place.

2.4 To give full consideration to succession planning for the SMT and other senior employees and keep under review the leadership needs of the organisation and our ability to compete for talent effectively in the marketplace

2.5 Ensure there is a clear and actionable plan for the recruitment, development and engagement of walk leaders

2.6 Ensure that the SMT are building and sustaining an appropriate culture across HF Holidays and that the HF Values are being upheld.

Provide a safe and healthy environment for HF Holidays employees, leaders and guests

2.7 Ensure there is a clear Health and Safety strategy and plan in place, with supporting policies and activities and to track progress, including regular review of KPIs incidents and trends.

2.8 Review strategy and plans relating to Colleague and Leader wellbeing

Drive sustainability

2.9 Regularly review and make recommendations to the Board concerning all aspects of the Society's policies and approach in relation to social responsibility, sustainability and the environment, including maintenance of BCorp accreditation.

Remuneration

The people Committee will also constitute itself as the "Remuneration Committee" with the addition of the Chair of the Board. The Chair of the Remuneration Committee will normally be the chair of the People Committee, who, may invite members of the SMT to attend, as appropriate, but may also designate any part of a Remuneration Committee meeting as a director only session.

It is envisaged that a Remuneration Committee meeting will take place three times each year, but the Chair of the People Committee may designate other occasions as appropriate.

The Remuneration Committee's purpose is to:

2.10 develop, in conjunction with the SMT, the remuneration principles for HF Holidays;

2.11 recommend to the Board the overall percentage salary increase for colleagues.

2.12 be involved in the recruitment of the (i) CEO; (ii) Society Secretary; (iii) Head of Finance; and (iv) any person to be recruited in the future to perform a deputy CEO role.

2.13 recommend to the Board the terms and conditions of employment, bonuses and benefits (including pensions) relating to the CEO, Society Secretary and SMT. The Committee will also recommend the goals and targets, relating to any incentive arrangements and the proposed outcomes at the end of each financial year, prior to final approval by the Board.

2.14 Recommend for approval and payment relating to loss of office for the CEO and Society Secretary and have an overview of any compensation payments for loss of office, with respect to the SMT

2.15 Have oversight of the appraisal process and target setting relating to any such performance linked pay and to recommend the CEO's personal objectives for approval by the Board.

2.16 review any major changes in employee benefits or employment arrangements (e.g. pension provision) throughout the Society.

2.17 review the annual gender pay gap report, consider the management plan to reduce any gap on a year-by-year basis and agree the reporting for inclusion in the annual report.

2.18 recommend a remuneration section for the annual report, taking into account applicable regulations and the Co-Operative Corporate Governance Code, whilst also giving due consideration to balancing transparency with individual privacy

3. Skills and Experience

Identified collective skills and experience:

- the ability to provide oversight on human resources initiatives, organisational and governance structure and management processes.
- human resources expertise.
- sustainability expertise.

B. Product Committee

1. Purpose

To discuss and agree all aspects of the Product element of the Society's growth strategy including its approach to UK, Europe and Worldwide product, from acquisition to maintaining and broadening our guest base, marketing, the customer journey and 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 the range of Products offered by the Society, including making recommendations to the Board regarding strategic priorities and Product mix to achieve profitable growth through product.

Enhance the holiday experience

2.2 Oversee marketing initiatives with a view to acquiring new and repeat guests, meeting KPIs and strategic goals and make recommendations to the Board.

2.3 Consider feedback from customers, walk leaders, directors, staff as well as other relevant internal and external data and trends and provide input on strategic initiatives relating to Product development and marketing.

2.4 Review and develop our USP and 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 Prioritise the development of an overseas Product range with brand values consistent with the UK Product.

2.8 Review data in relation to product growth in non-HF Holidays UK product, Europe and Worldwide and monitor progress against KPIs.

2.9 Keep abreast of the competitors and markets in which the Society operates, and provide input to support the Society's development and growth.

Maintain and broaden our guest base

2.10 Contribute ideas and support initiatives to maintain and broaden our guest base of Society members.

2.11 Monitor the effectiveness and impact of existing and new initiatives on our development towards this strategic goal and make recommendations to Board.

3. Skills and Experience

Identified collective skills and experience:

- 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.

C. Performance Committee

1. Purpose

To optimise all aspects of the Performance element of the Society's strategy to ensure that the budgeted profitability and EBITDA is achieved or exceeded. This will include regular scrutiny, monitoring, and discussion of the key financial levers and measures and agreeing on the necessary actions to rectify any underperformance.

To regularly review and discuss the estate, IT and transformation, membership income, cash flow and Capex.

To review and refine all reports for the Board, ensuring that they include appropriate levels of detail in view of the Board's strategic oversight function.

To consider for approval expenditure proposals from the Pathways Fund exceeding £10k.

2. Functions

Improve Profitability

2.1 Develop and keep under review the financial strategy and monitor performance against its KPIs.

2.2 Regularly review profitability and EBITDA against both the budget and forecast to include sales, margins and costs.

2.3 Regularly review and discuss the cash flow forecast and working capital.

2.4 Scrutinise the annual financial budget including Capex and once agreed recommend for approval to the Board.

2.5 Review and monitor Capex against budget.

2.6 Monitor any financial and banking covenants that are currently in force to ensure they are not exceeded.

2.7 Ensure SMT Identify and discuss with the committee opportunities for efficiency savings.

2.8 Determine and recommend to the Board the Society's attitude to financial risk.

2.9 In conjunction with the Head of Finance, the Committee Chair will report to every Board meeting on the Society's financial performance, highlighting what's going well, our concerns, and any mitigating actions to overcome these concerns.

2.10 Discuss major procurement contracts such as utilities and Capex to ensure that the agreed benefits are realised.

2.11 To foster a culture of continuous improvement and return on investment.

2.12 To advise on the financial reporting of the society and ensure that it is focused and consistent and facilitates the financial sustainability duties of the Board.

Protect and grow our assets.

2.13 Agree and recommend to the Board the Investment policy (as required).

2.14 Secure reassurance from the SMT that the Society complies with relevant financial, legal and tax regulations.

2.15 Review and discuss the maintenance requirements and condition of the Society's assets, including relevant reports from the estate manager, which includes the estate plan.

2.16 Review the risk report at every meeting and recommend any risk-level amendments to the Board.

2.17 Discuss, monitor and recommend major asset sales and purchases (such as properties) to the Board, including lease considerations.

2.18 Monitor net member investment and recommend interest rate levels.

Introduce smarter processes

2.19 Discuss and monitor the key aspects of digital transformation, including the digital strategy, return on investment, capex requirements/expenditures, and implementation programmes, to measurably improve the society's efficiency.

2.20 Have oversight of significant business change processes and make recommendations to the Board.

2.21 To identify opportunities to improve committee efficiency.

2.22 The meeting will be collaborative, supportive, challenging and high energy.

3. Skills and Experience

Identified collective skills and experience:

- strategic planning in a complex financial environment
- knowledge of IT and business processes
- financial leadership, ideally in a sector of relevance to the Society
- statutory reporting and accounts
- financial regulations and tax environment
- experience of managing a business or involvement in a commercial enterprise
- experience of change management
- ability to oversee performance management and monitor KPIs
- legal and contract experience
- property and estate experience
 - at least one Director or Society member of the Committee must be a finance expert (qualified accountant with a registered and recognised body) with relevant financial experience and competence in accounting.

D. Audit and Risk

1. Purpose

The purpose of the Audit & Risk Committee is to provide oversight of the Society's systems of internal control, risk management and financial reporting on behalf of the Board including but not limited to ensuring the Society complies with the law, relevant regulations and accounting standards and good practice and reporting on such issues to the Board as necessary.

2. Functions

The Functions of the Audit & Risk Committee comprise on behalf of the Board of:

- 2.1. Oversight of the structures, processes and procedures the Society has put in place to enable the effective management and oversight of its business;
- 2.2. Oversight of the development and operation of the processes put in place to manage the risks to the Society's strategic objectives including but not limited to the operation of the Society's Risk Register;
- 2.3. Review of the annual report and accounts and, if appropriate recommend them to the Board for approval;
- 2.4. Oversight of the appointment (including any tendering process), the terms of engagement, the development of the annual audit plan, remuneration and regular review of the performance and independence of Society's External Auditors and its auditing team (at least annually) and, if appropriate, termination of the external audit contract;
- 2.5. In the event of the resignation of the Society's External Auditor, leading investigations into the reasons for such resignation reporting the findings and any proposed actions to the Board;
- 2.6. Liaison with the External Auditor including as a minimum at the planning stage before the annual audit of the Society's accounts, after the audit at the reporting stage and, at least once a year, without the presence of any member of the Society's Senior Management Team, to discuss the Auditor's remit and any issues arising from the audit;
- 2.7. Review of the External Auditor's annual audit letter and the response of the Society's Senior Management Team and Board to any findings and recommendations made;
- 2.8. Consideration of the need for independent review or audit of any function, process or activity undertaken by the Society to manage a particular risk, oversight of the appointment, if considered necessary, of external specialists undertake such review and review and approval of any related report and recommendation before their submission to the Board;
- 2.9. Oversight of the implementation of any recommendations made by the External Auditor or as an output from any independent review;
- 2.10. Oversight of the adequacy of the Society's arrangements for ensuring regulatory compliance, and its procedures for deterring, detecting, preventing and investigating fraud, bribery and financial crime
- 2.11. Oversight of the Society's arrangements for its employees and members of the Society to raise concerns in confidence about wrongdoing within the Society and where necessary ensuring such wrongdoing is thoroughly investigated and appropriate actions taken.

3. Skills and Experience

Identified collective skills and experience:

- 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.

E. Governance & Membership Committee

1. Purpose

To discuss and agree all aspects of the Governance & Membership elements of the Society's strategy, including its approach to Membership, Director nominations, Board effectiveness and development, and governance matters and report on such matters and recommend any changes to the Board.

2. Functions

Deliver co-operative excellence

2.1 Develop and monitor a sustainable Society Membership Policy and Strategy.

2.2. Develop and monitor effective corporate governance policies, Strategy and processes.

2.2.1. 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.

2.2.2 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.

2.2.3 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.

2.2.4. ensure that effective induction training is available for Directors as well as ongoing training. In conjunction with the Chair of the Board, develop a process to review Board effectiveness, consider the results and make recommendations to the Board for any subsequent actions.

2.2.5. regularly review, agree and propose to the Board any changes to the composition of the Committees and Sub-committees. At least once a year, before the AGM, the Committee will review the composition of each committee, and make recommendations to the Board.

2.2.6 work with and liaise as necessary with all other Committees and Sub-committees including recommending appointments of Society members to any such Committees and Sub-committees and recommending approval of extensions to tenure for any such Society members.

2.2.7 oversee organisational compliance with co-operative governance best practice. The committee will have oversight of the planning of the Society's general meetings. The Society Secretary will make the necessary arrangements for the general meetings.

2.2.8 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.

2.2.9. 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.

2.2.10 keep the Board Handbook under review and recommend any changes to the Board. 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.

2.2.11 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 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

2.2.12 ensure HF Holidays engages actively with members including events such as Investment Member Breaks, Familiarisation visits, AGMs and member Q and As.

3. Skills and Experience

Identified collective skills and experience:

- the ability to provide oversight on organisational and governance structure and management processes.
- Experience of a significant membership-based organisation, ideally a cooperative.
- Experience and expertise in cooperative governance.

F. Chairs' Committee

1. Purpose

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

2. Function

2.1 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 the Board for consideration and decision.

3. Composition

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