The transfer of your policy:

Summary of the Independent Expert's Report

My role and why I am writing this report

It is proposed to transfer all the business of AXA Wealth Limited ("AWL"), including SunLife policies, into another regulated life insurance company in the Phoenix Group, Phoenix Life Limited ("PLL"). There is a reinsurance arrangement in place between AWL and PLL that reinsures all of the AWL business to PLL called the Intra-Group Reinsurance ("IGR").

The transfer will be carried out in accordance with the Financial Services and Markets Act 2000 ("FSMA") and must be approved by the High Court of Justice of England and Wales (the "Court"). Such an application to the Court must be accompanied by a report on the terms of the transfer by an Independent Expert.

I have been appointed as the Independent Expert for this transfer and my appointment has been approved by the UK financial services regulators: the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").

I have produced a report on this transfer ("my main report") and this is a summary of that report which is focussed on the implications of the transfer for SunLife policyholders. I encourage anyone who is interested in the details behind this transfer, and in how I reached my conclusions, to read my main report and the other documents regarding this transfer that are available at **www.sunlife.co.uk/FM17**.

My comments and conclusions apply to all policyholders of AWL and Phoenix irrespective of their place of residence and/or the jurisdiction within which the business is said to be carried on or in which their policy was issued. References to the "Scheme" should be taken to include the Guernsey Scheme.

My role as Independent Expert is to consider how policyholders are likely to be affected by the proposed transfer.

The effect of the transfer on SunLife policies

Introduction

As part of my work on the transfer I have considered the expected effects of the proposed transfer on the following:

- The financial strength available to provide security for the benefits under the SunLife policies where financial strength is provided by:
  - The assets required to be held to support the SunLife policies (to cover the technical provisions and capital requirements of these policies); and
  - The restrictions in place in respect of changing the amount or quality of these assets held.
- The profile of risks to which the SunLife policies are exposed.
- The governance and management that apply to the SunLife policies.
- The standards of administration and service that apply to the SunLife policies.
- The expectations of the SunLife policyholders in respect of their benefits.

I summarise the key points of my analysis below.

The financial strength available to provide security for the SunLife policies

I am satisfied that the transfer will not have a material adverse effect on the financial strength available to support the security of the benefits under the SunLife policies because:

- After the transfer, PLL will be subject to the same regulatory regime as it and AWL are currently and the calculation of the technical provisions and capital requirements in respect of the SunLife policies will not change.

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Therefore, PLL will be required to hold a similar amount and quality of assets to back the SunLife policies after the transfer as AWL does currently.

- The extra capital (above the regulatory requirements) that PLL's Board requires to be held is set out in the Phoenix Capital Policy ("PCP") and this provides a level of security for the SunLife policies that is significantly in excess of that required by the regulations.
- The PCP is not materially different to the capital policy that currently applies to the SunLife policies (the AWL Capital Policy or ACP).
- Any changes to the PCP must be submitted in advance for non-objection by the PRA and approved by the PLL Board.

The profile of risks to which the SunLife policies are exposed

After the transfer, the SunLife policies will be direct policies of PLL and so will be directly exposed to the risks within the PLL business. PLL is much larger than AWL and has written different types of business, to different profiles of policyholders, and so the transfer will change the risks to which the SunLife policies are exposed. However, I am satisfied that this change will not have a material adverse effect on the security of the benefits under the transferring SunLife policies because:

- The exposure to a wider range of risks results in a greater level of diversification in the risk exposures;
- The profile of risks of PLL after the transfer will be reflected in the capital that PLL is required to hold under the regulations and the PCP; and
- Due to the IGR the SunLife policies are already exposed to a significant degree to the risks of PLL.

The management and governance that apply to the SunLife policies

The SunLife policies are currently managed by, and subject to the governance of, the AWL Board and, after the transfer, will be subject to the management and governance of the PLL Board. I am satisfied that the transfer will not have a material adverse effect on the standards of management and governance that apply to the SunLife policies because:

- The members of the Boards of AWL and PLL are the same;
- The PLL Board is already responsible for overseeing the SunLife business due to the IGR; and
- The PLL Board has considerable experience of writing business that is similar to the SunLife business.

The standards of administration and service that apply to the SunLife policies

The transfer will not, of itself, lead to changes to the administration and servicing arrangements for SunLife policies. There are changes planned that are independent of the transfer and that I describe in my main report. There is not expected to be any reduction in the level of service that policyholders experience.

The expectations of policyholders in respect of their benefits

The transfer will not affect terms and conditions of the SunLife policies (except that the policies will become policies of PLL). As discussed above, I am also satisfied that the transfer will not have a material adverse effect on the security of the SunLife policies, or on the standards of administration, service, management and governance that apply to the SunLife policies.

Therefore, I am satisfied that the transfer will not have a material adverse effect on the benefit expectations of SunLife policyholders.

Conclusions

I confirm that I am satisfied that the transfer will not have a material adverse effect on:

The security of the benefits of the SunLife policyholders;

- The reasonable benefit expectations of the SunLife policyholders; or
- The standards of administration, service, management and governance that apply to the SunLife policies.

I am satisfied that the transfer will be equitable to all classes and generations of SunLife policyholders.

Oliver Gillespie
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