
**TERMS OF REFERENCE OF THE WITH-PROFITS COMMITTEE OF THE
PHOENIX LIFE COMPANIES BOARD¹**

Adopted by the Life Companies Board (the 'Board') on 21 November 2024

¹ The Phoenix Life Company Boards cover the following legal entities: Phoenix Life Limited, Phoenix Life CA Limited, ReAssure Life Limited, ReAssure Limited and Standard Life Assurance Limited.

TERMS OF REFERENCE OF THE LIFE COMPANIES WITH-PROFITS COMMITTEE
(the “Committee”)

BACKGROUND

The Phoenix Group includes UK insurance companies that have with-profits funds. The Boards of these insurance companies have the same directors and they meet concurrently. Similarly, each of these UK insurance companies has a separate With-Profits Committee with common membership and they meet concurrently. For ease of reference the Boards are referred to collectively below as ‘the Board’, the insurance companies as ‘the Company’ and the With-Profits committees as ‘the Committee’.

The purpose of this document is to set out the terms of reference for the Committee established as part of the overall governance arrangements required for the with-profits business, as set out in the Financial Conduct Authority’s (“FCA”) Conduct of Business Sourcebook (“COBS”).

1. CONSTITUTION

1.1 The Committee has been established by resolution of the board of directors of each of the following companies:

- Phoenix Life Limited;
- ReAssure Limited; and
- Phoenix Life CA Limited.

1.2 These terms of reference replace the terms of reference of any pre-existing With-Profits Committee.

2. ROLE

2.1 The Committee acts in an advisory capacity to inform the decision-making of the Board. There are also circumstances where the Committee is required to act **as the Board** as covered in **Appendix 2**, or where the Company has to seek explicit approval from the Committee. The Committee considers the interests of with-profits policyholders and exercises independent judgement in advising the Board on the achievement of good outcomes for those policyholders, reflecting a fair balance of interests between policyholders and shareholders and between different cohorts of policyholders in the ongoing management of with-profits policies and funds, whilst giving due regard to the evolving regulatory landscape.

2.2 The role of the Committee is to assess, report on, and provide clear, independent advice and, where appropriate, recommendations to the Board on:

- 2.2.1 the way in which each with-profits fund is managed and whether this is properly reflected in the Principles and Practices of Financial Management (“PPFMs”);
- 2.2.2 whether the relevant Company is complying with the principles and practices set out in the PPFMs;
- 2.2.3 whether the relevant Company has effectively addressed the conflicting rights and interests of with-profits policyholders and other policyholders or stakeholders (including shareholders), in a way that is consistent with the FCA’s Consumer Duty requirements;

- 2.2.4 any other issues with which the Board or the Committee considers with-profits policyholders might reasonably expect the Committee to be involved, including the Committee's obligations under Court Schemes. Such issues to include, but are not limited to, major transactions which may impact the Company, for example, Part VII transfers, material outsourcing, and material acquisitions / disposals; and
- 2.2.5 Following each meeting, the Chair of the Committee will provide a report to the Board on the key outcomes from the meeting, to include comments or confirmation on recommendations for items which require Board approval.
- 2.3 The Committee will be supported in its oversight of the with-profits investment strategy by the Company's Board Investment Committee. The Board Investment Committee is responsible for reviewing and approving the overall investment strategy and any subsequent material changes to the asset and liability management strategies for all assets of the Companies (shareholder, policyholder and with-profits), taking into account the risk appetites of the Companies and ensuring that customer / policyholder interests are properly balanced against those of other stakeholders and deliver good outcomes. For the avoidance of doubt, this support does not prevent the Committee from being consulted or reviewing such matters for the benefit of adherence to the PPFM or the good outcomes of with-profits policyholders. Oversight by the With-Profits Committee of investments will take the form of:
- 2.3.1 Regular (at least half yearly) meetings between the Chairs of the Committee and the Board Investment Committee;
 - 2.3.2 Quarterly updates from Phoenix Asset Management to the Committee;
 - 2.3.3 Annual review of the Strategic Asset Allocation of with-profits funds.
- 2.4 The Committee will receive, on a quarterly basis, management information which will provide the financial position of the with-profits funds, to include but not limited to Solvency and will receive proposals for cost allocations, bonus and estate distribution decisions. Upon review, the Committee will make any necessary recommendations to the Board to ensure good outcomes for policyholders.
- 2.5 The Committee will work closely with the With-Profits Actuaries of the funds, obtaining their input where appropriate. The Chief With-Profits Actuary will provide a report to the Committee for each meeting.

3. MEMBERSHIP

- 3.1 The Committee comprises not less than five members, the majority of whom will be independent members. All members will have appropriate skills, knowledge and experience to contribute to the role of the Committee.
- 3.2 The Board will approve the appointment, reappointment and removal of members in consultation with the Committee Chair and With-Profit Actuaries ("WPAs") and upon the recommendation of the Board Nominations Committee.

- 3.3 The Board will appoint the Committee Chair from the independent members. If the Committee Chair is absent from a meeting, the remaining members present will elect a Committee member to chair the meeting.
- 3.4 Appointments to the Committee are made by the Board and, for independent members, will be for a period of up to three years which may be extended for further periods of up to three years (subject to a maximum tenure of nine years), provided the individual still meets the criteria for membership of the Committee. The Board and Board Nomination Committee will also consider the skills, experience, capability and capacity of all members and new candidates based on the requirements of these terms of reference and the FCA Handbook.
- 3.5 Members are expected to adhere to the requirements of a statutory director of a company as outlined in the Companies Act 2006, Articles of Association of the Company and, where relevant, the Fitness & Propriety requirements of the FCA's Senior Manager and Certification Regime. Removal or re-appointment of members is a duty of the Board Nomination Committee.
- 3.6 The independence of the independent members will be determined (as being independent of the Group's activities) by the Board Nominations Committee prior to appointment. Independence will be judged based on any previous appointments, material consulting or contractual relationships or receipt of remuneration from or with the Group during the previous five years.
- 3.7 At least one independent member will be a Fellow of the Institute and Faculty of Actuaries (the "Independent Actuary"). For this purpose, a Director of the Company will not be deemed independent.
- 3.8 The appointment of the successor to the role of Independent Actuary must be approved by the independent members including the incumbent Independent Actuary, insofar as the incumbent remains a member of the Committee.

4. SECRETARY

- 4.1 The Company Secretary will nominate a representative to act as Secretary to the Committee.

5. MEETINGS

- 5.1 The Committee will meet at least quarterly, with additional meetings as required.
- 5.2 A quorum is three members of the Committee, of which two must be independent. A duly convened meeting of the Committee at which a quorum is present (whether in person or virtual) will be competent to exercise all of the authorities, powers and discretions vested in the Committee.
- 5.3 The Secretary shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute it accordingly.
- 5.4 Draft minutes will be circulated promptly to the Committee Chair and subsequently be circulated to Committee members for approval and to the Chairman of the Board. Approved minutes will be signed by the Committee Chair and be made available to the Board.

5.5 If unavailable, the Independent Actuary has the right to circulate their views on any business to be discussed and have these formally tabled at a Committee meeting. Any member of the Committee may adjourn a Committee meeting if the Independent Actuary is absent so that their views can be solicited.

6. NOTICE OF MEETINGS

6.1 Committee meetings will be convened by the Secretary at the request of the Committee Chair, a With-Profits Actuary (“WPA”) or the Chair of the Board.

6.2 Unless otherwise agreed with the Committee Chair, notices of meetings confirming the venue (or medium), time and date together with the agenda and supporting papers will be forwarded to each member of the Committee no later than five working days before the date of the meeting.

7. REPORTING RESPONSIBILITIES

7.1 The Committee Chair will update the Board on the Committee’s proceedings (noting any approvals and recommendations for approvals) after each meeting.

7.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit.

8. DUTIES

8.1 The Committee will determine the specific matters it will consider in order to fulfil its role. These matters will include, as a minimum, the core duties required in COBS 20.5.3 (extracted and listed for ease of reference in Appendix 1). In addition, there are certain matters that the Committee must consider that are specific to individual funds as a result of Court Schemes and or European Reinsurance Agreement Obligations. These are listed in Appendix 2 and Appendix 3 accordingly.

8.2 The Committee will review any changes to the PPFMs to ensure that the PPFMs accurately reflect how each fund is managed, recommending any material changes to the Board of the Companies for approval, and any associated communications to policyholders.

8.3 The Committee will advise the Board on the suitability of candidates proposed for appointment as a WPA.

8.4 The Committee will assess the effectiveness of each WPA annually and report its findings to the Board.

8.5 The Committee will recommend appropriate changes to these terms of reference, having conducted annual reviews of the effectiveness of the Committee’s performance (see duty 9.1.6).

8.6 In discharging its functions in relation to a with-profits fund, the Committee shall be under a duty to act at all times in the best interests of the holders of with-profits policies allocated or reassured to that with-profits fund.

9. OTHER MATTERS

9.1 The Committee shall:

- 9.1.1 have access to sufficient resources to carry out its duties;
- 9.1.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 9.1.3 be authorised to obtain outside actuarial and other professional advice on any matter within its terms of reference;
- 9.1.4 be provided with information in a timely manner to allow the Committee to carry out its responsibilities and for the Committee to have sufficient time to provide fully considered advice;
- 9.1.5 have access to the services of the Company Secretariat function on all Committee matters, including assisting the Committee Chair in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities, collection and distribution of information and provision of any necessary practical support; and
- 9.1.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval. In the event that material changes are proposed, the following actions must also be taken:
- certification from the relevant With-Profits Actuary and Chief Actuary that the interests of policyholders are not impacted;
 - the Regulator should be informed and given 30 days to seek non-objection; and
 - The Committee has been consulted and does not object to the changes proposed.
- 9.1.7 if it considers the matter sufficiently significant, request that the Board(s) notify the Regulator(s) of a Board decision to depart from the advice or recommendation of the Committee.

APPENDIX 1 – CORE DUTIES²

For each fund, the committee shall consider:

- i) the identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy;
- ii) how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
- iii) if relevant, the relative interests of policyholders with and without valuable guarantees;
- iv) the firm's with-profits customer communications such as annual policyholder statements and product literature and whether the Committee wishes to make a statement or report to with-profits policyholders in addition to the annual report made by a firm;
- v) any significant changes to the risk or investment profile of the with-profits fund including the management of material illiquid investments and the firm's obligations in relation to strategic investments;
- vi) the firm's strategy for future sales supported by the assets of the with-profits fund and its impact on surplus;
- vii) the impact of any management actions planned or implemented;
- viii) relevant management information such as customer complaints data (but not necessarily information relating to individual customer complaints);
- ix) the drafting, review, updating of and compliance with run-off plans, court schemes and similar matters;
- x) the costs incurred in operating the with-profits fund and their allocation;
- xi) the identification and consideration as to whether a part of the with-profits fund constitutes a separate with-profits fund in accordance with COBS 20.1A.2 R;
- xii) the use and purpose of, and terms under which, support assets are available to the with-profits fund having regard to the considerations in COBS 20.2.33 G to COBS 20.2.34 G and COBS 20.2.34A;
- xiii) The production of any annual certificates required by Court Schemes; and
- xiv) Any duties or obligations, not otherwise referred to, imposed on the Committee by Court schemes.

² Extracted from FCA COBS 20.5.3R

APPENDIX 2 – LEGAL OBLIGATIONS FROM COURT SCHEMES

This Appendix 2 provides further details of the additional responsibilities referred to in paragraph 8.1 that extend beyond the core COBS requirements because of historic legal schemes, where there is a particular onus on the WPC. The relevant Part VII Schemes which should be considered further are:

1. **Project Nile** – National Provident Life (“**NPL**”), Phoenix Life SCP Institution (“**SPI**”) and Scottish Mutual (“**SM**”)
2. **Project Graphene** – Guardian Assurance
3. **Project Texas** – National Mutual
4. **Project Carbyne** – Legal & General

1. Project Nile (2023):

The Project Nile Part VII 2023 Scheme places additional requirements on the WPC, in particular for the National Provident Life (NPL), Phoenix Life SCP Institution (SPI) and Scottish Mutual (SM) funds as set out below. There are additional requirements for **all heritage Phoenix Life With-Profits funds** as noted below:

NPL

Part 4 of Schedule 13 confirms that the WPC:

- may exercise all of the powers of the Company Board in connection with the investment policy of the NPL WP Fund, excluding the investment policy for any assets provided as capital support to the NPL WP Fund in accordance with the PCP; and
- may exercise all of the powers of the Company Board in connection with the bonus policy applied to Policies allocated or reinsured to the NPL WP Fund.

SM

Part 4 of Schedule 18 confirms that the WPC will set bonuses and MVRs for SMA DC Policies

SPI

Parts 2 and 3 of Schedule 19 confirm that the WPC:

- is required to provide a written opinion that any proposed investment hypothecation does not materially impact policyholders.
- can agree with the WPA that debits can be made from the fund.

Part 6 of Schedule 19 confirms that the WPC:

- has responsibility for the investment and bonus policy of the SPI WP Fund having regard to the recommendations of the relevant With-Profits Actuary;
- should consider and, if thought fit, approve material changes to the investment management arrangements for the SPI WP Fund as recommended by the management of the Company;

- has the power to obtain capital support for the SPI WP Fund on such terms as it may determine, to determine the amount of any such capital support that is utilised from time to time and, where such capital support is obtained from a person other than the Company, to require the Company to enter into any relevant contractual arrangements, provided always that:
 - the Company Board has approved such terms and any relevant arrangements, such approval not to be unreasonably withheld or delayed; and
 - neither the Company nor any member of the Phoenix Group shall be obliged to provide capital support other than as required under the Company's Capital Policy;
- determines whether or not to ratify the relevant With-Profits Actuary's use of discretion over the price of annuities transferred from the fund;
- determines a fair and equitable amount to be charged to and borne by the SPI WP Fund in respect of costs and expenses;
- will consult with the relevant With-Profits Actuary in respect of material transactions in relation to the SPI WP Fund;
- has responsibility to determine the investment policies for the SPI WP Fund (having regard to the recommendations of the relevant With-Profits Actuary);
- has responsibility to determine the bonus policies in respect of the SPI WP Fund With-Profits Policies (having regard to the advice of the relevant With-Profits Actuary);
- has responsibility for setting the Asset Shares for the SP DC Policies and determines whether management charges may be charged on those Asset Shares of SPI WP Fund With-Profits Policies which are SP DC Policies (having regard to the advice of the relevant With-Profits Actuary); and
- considers and, if thought fit, approves any contractual or other provision restricting or otherwise controlling the acquisition, retention and/or disposal by or for the account of the SPI WP Fund, of any investment or other assets.

Part 8 of Schedule 19 confirms the WPC:

- is charged with ensuring that policies that were in the Special Fund and lost their qualifying status because of the Phoenix 2009 Scheme still get the benefits as if they had remained qualifying.

Other requirements for all Phoenix Life WP Funds (outside of those listed above)

Part 5 of Schedule 1 confirmed that the WPC:

- can **recommend**, or in the case of the SPI Fund, **require** that additional monies are put into the Non-Profit Fund to cover a shortfall where any WP fund cannot meet the proportion of the Company's SCR which is attributable to it from its own capital resources.

2. Project Graphene (2016) – Guardian Assurance With-Profits Fund (GA WPF or the RLL 2016 Scheme)

Under the provisions of the RLL 2016 Scheme, the WPC is required to act independently of the RAL Board and approve decisions or transactions affecting the following aspects of business:

- Approval of any determination by the Board where there is doubt as to allocation or attribution of any transferred policy, assets or liability or any residual asset or liability under the RLL 2016 Scheme;
- Provision of advice to the Board on wind up of any of the Linked Funds;
- Approval of an agreement to amend or terminate the Residual Policies Reinsurance Arrangement (as defined in the RLL 2016 Scheme).
- Approval of the internal reinsurance of new business to the Guardian Assurance With-Profits Fund.
- Approval of any action to be taken by the Board in relation to the Internal Notional Reinsurance Arrangements (as defined in the RLL 2016 Scheme) which could result in a material adverse impact on a ReAssure with-profits fund.
- Approval of the crediting or debiting of amounts to the Guardian Assurance With-Profits Fund as properly attributable to the Guardian Assurance With-Profits Fund.
- Conditions for the merger and cessation of the Guardian Assurance With-Profits Fund.
- Allocating or reallocating a policy transferred under the RLL 2016 Scheme to a fund other than the one to which it was originally allocated under that scheme.
- Changes to certain aspects of the definition of “Cash Flows Receivable”

3. Project Texas (2007):

The Committee may at any time, propose or consider a changes to the investment management services being provided to the NM WPF. In addition, under the provisions of the National Mutual Scheme, the WPC is required to act independently of the RAL Board and approve decisions or transactions affecting the following aspects of business:

- Conditions relating to new business;
- Provisions on the taxation of the fund, including a requirement for the Committee to review the tax credited or charged, and conditions around the changes to the taxation basis;
- Provisions on expenses and charges in respect of administration, investment management and commission including on the provision of investment management services by another group entity, and on charges that can be levied in respect of Committee costs;
- Conditions on transfer and exchange of property and liabilities;

- Entering into, amending or terminating reinsurance arrangements on the NMWPF;
- Exercising the terms of any financial support arrangement to the NMWPF;
- Conditions on the merger and cessation of the NMWPF;
- Regarding the terms of the Capital support arrangements, including repayment of Capital support
- Various provisions concerning acquisition and disposal of assets, subsidiaries, and any material transactions outside ordinary course of business. (Namulas is explicitly covered elsewhere in 16.3, and also requires With-Profit Committee approval).
- Any adjustments over £1m in respect of delay of allocation payments between ReAssure funds.
- Any modifications or alterations to the NM scheme itself.
- The process for appointing an Umpire where required;
- The approval process of any payment due to the NMWPF as a result of changes to the right to manage equities in unit linked funds.

4. Project Carbyne (2020):

On the merger of the LG WPF into the Non-Profit Fund, the WPC must be consulted and that the WPC consider other alternative courses of action from a policyholder fairness perspective.

APPENDIX 3 – EUROPEAN REINSURANCE AGREEMENT OBLIGATIONS

The With-Profits Committee's responsibilities extend to all with-profits policyholders who participate in discretionary distributions based on profits arising in a Phoenix With-Profits Fund. This also includes the policyholders of Standard Life International dac ("SL Intl") or Phoenix Life Assurance Europe dac ("PLAE") who participate in a Phoenix with-profits fund via reinsurance. As such, the following obligations apply:

- i. The boards of directors of SL Intl and PLAE are entitled to make representations to the With-Profits Committee and the relevant Company Board on matters affecting policies reinsured to Phoenix from SL Intl and PLAE respectively and receive an explanation of the basis for decisions which affect their policyholders. The With-Profits Committee has a duty to consider such representations.
- ii. The minutes of any items affecting SL Intl policyholders or PLAE policyholders shall be submitted to the board of directors of the respective company.