

Standard Life Assurance Limited

(the “Company” or the “Firm”)

Terms of reference of the with-profits committee Of the board of directors (the “Committee”)

Adopted by the Committee on 30 September 2019

Approved by the Board on 2 October 2019

Aims and Objectives

Standard Life is committed to fair treatment for all customers. The role of the With-Profits Committee is to consider the interests of with-profits policyholders and exercise independent judgement in advising the Board of Standard Life Assurance Limited (“SLAL” or “the Company”) on the achievement of fair treatment for those policyholders, reflecting a fair balance of interests amongst policyholders and between policyholders and shareholders in the ongoing management of with-profits policies and with-profits funds and in any proposed actions affecting those policyholders. The Committee’s responsibilities extend to all with-profits policyholders who participate in discretionary distributions based on profits arising in a SLAL with-profits fund. These policyholders are either SLAL policyholders whose policies were written in the UK or Standard Life International dac (“SL International”) policyholders who participate in a SLAL with-profits fund via reinsurance.

The Committee reports its advice to the Boards of SLAL, SL International and other associated group companies as appropriate and has the authority to report to with-profits policyholders where it considers this necessary.

1. COMMITTEE PURPOSE

- 1.1 The Standard Life Assurance Limited With-Profits Committee is a committee of the SLAL Board (the “Board”) which will:
- (a) support the Board in discharging its governance responsibilities in relation to compliance with the Principles and Practices of Financial Management (“PPFM”);
 - (b) provide independent judgement in the assessment of compliance with PPFM and in how any competing or conflicting rights and interests of policyholders and, if applicable, shareholders have been addressed;
 - (c) consider all major transactions involving the Company (e.g. Part VII transfers, reinsurances, outsourcing) to the extent to which they impact upon with-profits policyholders; and

References to the With-Profits (WP) Funds should be taken to mean the Heritage With-Profits Fund (“HWPF”), the German With-Profits Fund (“GWPF”), the UK Smoothed Managed With-Profits Fund (“UKSMWPF”) and the German Smoothed Managed With-Profits Fund (“GSMWPF”). All references to PPFM should be taken to include the Internal Principles and Practices of Financial Management maintained for the GWPF and the GSMWPF. For the avoidance of doubt, the use of the term conduct throughout this document is used to refer to behaviour, attitudes and motivations in terms of the experiences and outcomes offered to customers.

2. GUIDING PRINCIPLES

- 2.1 Any event or proposal which might be construed to have an impact on the PPFM, or would require a change to the content of the PPFM, must be reviewed by the Committee.
- 2.2 Wherever possible, independent input should be given by the Committee before Board decisions are taken. In that way, the Committee can ensure that information presented to the Board is adequate for a “PPFM-consistent” decision to be taken.

- 2.3 For a change in practice (methods, parameters and assumptions), the test shall be for consistency against the documented principles.
- 2.4 For a change in principle, the Committee should look for adequate justification for the change, having taken account of customer outcomes, customer treatment and appropriateness of conduct, the ultimate decision resting with the Board.
- 2.5 If an action inconsistent with the PPFM is proposed, without amendment to the PPFM, the Committee will consider and communicate to the Board whether it feels it would be appropriate to communicate this to customers.
- 2.6 Where appropriate, the Committee may submit a report to the Board on the pros and cons of the proposed actions from a PPFM perspective.
- 2.7 In order to ensure that the Committee can carry out its duties, it must receive timely information in advance of Board meetings.
- 2.8 Where there are material and/or complex issues within the remit of the Committee then, wherever possible, the Committee should be consulted during preparation and before Board papers are submitted.

3. DUTIES AND SCOPE

- 3.1 To assess, report on, and provide clear advice and, where appropriate, recommendations to the Board on:
 - (a) the way in which each WP fund is managed and whether this is properly reflected in the PPFM;
 - (b) whether the Board has addressed effectively the conflicting rights and interests of with-profits policyholders and other policyholders or stakeholders including, if applicable, shareholders, in a way that is consistent with appropriate conduct and the principle of treating customers fairly and
 - (c) any other issues with which the Board or the Committee considers WP policyholders might reasonably expect the Committee to be involved.
- 3.2
 - (a) To decide on the specific matters that it will consider in order to enable the Committee to carry out its role as appropriate to the particular circumstances of the with-profits funds, and,
 - (b) To advise the Board of the suitability of candidates proposed for appointment as with-profits actuaries, and,
 - (c) To assess the performance of each with-profits actuary at least annually and report its views to the Board.
- 3.3 To give appropriate consideration to the following issues:
 - (a) the identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy;
 - (b) how bonus rates, smoothing and if relevant, market value reductions have been calculated and applied;
 - (c) if relevant, the relative interests of policyholders with and without valuable guarantees;
 - (d) 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;
 - (e) any significant changes to the risk or investment profile of the with-profits fund including the management of material illiquid investments and the Company's obligations in relation to strategic investments;
 - (f) the strategy for future sales (if any) supported by the assets of the with-profits fund and its impact on surplus;
 - (g) the impact of any management actions planned or implemented;
 - (h) relevant management information such as customer complaints data (but not necessarily information relating to individual customer complaints);

- (i) the drafting, review, updating of and compliance with run-off plans, court schemes and similar matters; and
 - (j) the costs incurred in operating the with-profits funds.
 - (k) the identification and extent of the Firm's with-profits funds, with particular regard to the considerations as to whether a part of the with-profits fund constitutes a separate with-profits fund in accordance with COBS 20.1A.2R (Sub-funds); and
 - (l) 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 20.2.33G to COBS 20.2.34G and 20.2.34AR that the terms of the support should be clear, unambiguous, adequately documented and consistent with the PPFM, and should only be relied upon to the extent that the support is sub-ordinate to the fair treatment of customers.
- 3.4 To verify that processes followed are consistent with the PPFM and that decisions taken by the Board have followed due process and are consistent in themselves with the PPFM.
- 3.5 The main areas of focus are Solvency, Investment, Fund Management, Bonus Decisions and Customer Communication relating to changes to the PPFM (this would include related matters such as use of the estate and payments to shareholders).
- 3.6 For clarity, any reports on the matters referred to in clause 3.3 above and the following topics, which would be directed to the Board or Investment Committee, should also be submitted to the Committee. The list is not exhaustive – if in doubt reports should be submitted to the Committee for their assessment of relevance.
- identified and developing business risks which would impact the WP Funds;
 - reviews of the financial position of the WP funds and any matters affecting that position – specifically:
 - any proposed shareholder releases which would in the opinion of the Chief Actuary of the firm result in the firm being unable to cover its capital policy, or in the opinion of the With-Profits Actuary might otherwise adversely affect the WP Funds
 - allocation of costs to the WP Funds
 - changes in surrender values
 - any discretionary charges against the estate or asset shares
 - new provisions in with-profits funds and who is to pay for them
 - Solvency II balance sheets of the WP Funds;
 - PPFM-related Board and Investment Committee minutes and decisions;
 - any proposed changes which would result in revisions to the PPFM;
- 3.7 To assist the Board and the Committee, a pro-forma appendix (see Appendix A) should be added to each report summarising consistency with the PPFM and providing a record of required changes.
- 3.8 The Committee will endorse Board submissions for consistency – appending comments and recommendations as required.
- 3.9 The Committee will work closely with the With-Profits Actuary and obtain his / her opinion and input as appropriate
- 3.10 The Committee will review decisions taken by the Board for consistency with the relevant PPFM.
- 3.11 The Committee will have oversight of preparation of a joint annual report (from the Board and the Committee) to customers confirming compliance with the PPFM for the HWPF and the UKSMWPF.
- 3.12 The Committee will overview the maintenance of the currency of the PPFM (including the consideration of new guidance and regulatory changes).
- 3.13 The Committee will monitor necessary communication of PPFM changes to customers so that it is conducted in a timely and practical way.

- 3.14 The Committee will discuss reports which a With-Profits Actuary is required to produce in accordance with actuarial guidance from time to time and, if appropriate, recommend them to the Boards for approval.
- 3.15 The Committee will recommend to the Board that capital support should be provided to any WP Fund to the extent needed to treat customers fairly.
- 3.16 The Committee will facilitate such ad-hoc tasks as requested by the Board and agreed by the Committee.
- 3.17 In discharging its functions in relation to a WP 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 WP Fund.
- 3.18 The Committee shall recommend to the Board management action plans for 'with-profits' business to determine in an objective manner the assumptions on future management actions that are appropriate for use in the Internal Model.
- 3.19 The Committee may request the Board to notify the Regulator of a decision of the Board to depart from the advice or recommendation of the Committee if it considers the matter sufficiently significant. If the matter affects SL International policyholders, then the SL International Board shall be notified of any such request.
- 3.20 The Committee is also authorised to make a statement or report to with-profits policyholders, in addition to any statement made by the Company, on any matter arising from its independent review activities as described above. Such statement or report will also be presented to the SLAL Board and placed on the Committee's webpage. If the statement or report is relevant to SL International policyholders it will also be presented to the SL International Board.

4. SL INTERNATIONAL

- 4.1 The SL International Board is entitled to make representations to the Committee and the SLAL Board on matters affecting policies reinsured to SLAL from SL International and receive an explanation of the basis for decisions which affect SL International policyholders. The Committee has a duty to consider such representations.

5. COMPOSITION AND CHAIR

- 5.1 The Committee shall consist of not less than three Members, with a majority of the Members being Non-Executive Members selected by the Board, provided that at least one Non-Executive Member shall be a Fellow of the Institute and Faculty of Actuaries and have recent relevant experience in the conduct of with-profits business and the fair treatment of with-profits policyholders.
- 5.2 A Non-Executive Member shall be a person who is not employed in an executive capacity by, and does not hold any position other than that of a non-executive director or non-executive member of a board committee (including, for the avoidance of doubt, an independent member of the Independent Governance Committee) with any company when it is a member of the Group. For the purpose of these terms of reference, the Group is defined as being from time to time, the Company, its holding companies, its subsidiaries and the subsidiaries of any such holding company or companies.
- 5.3 A Non-Executive Member shall not be a person who:
 - (i) is or has been, at any time in the five years preceding his or her appointment, an employee of the Company or of any member of the Group;
 - (ii) has or has had, at any time in the five years preceding his or her appointment, any form of material consulting or contractual relationship with the Company or a member of the Group (other than as a retail customer, a non-executive director or non-executive member of a board committee including, for the avoidance of doubt, an independent member of the Independent Governance Committee);

- (iii) receives or has received, at any time in the three years preceding his or her appointment, additional remuneration from the Company or from another member of the Group other than fees received for performing the role of a non-executive director or a non-executive member of a board committee, (including, for the avoidance of doubt, an independent member of the Independent Governance Committee), or participates in a share option or performance-related pay scheme of the Company or of another member of the Group; or
 - (iv) has served on the Committee (or any WP committee or equivalent committee within the Company or any other predecessor company whose WP policies or WP funds is or has been transferred to the Company) for more than nine years from the date of his or her first appointment save that any Non-Executive Member who has served for more than nine years from the date of his or her first appointment shall be subject to annual re-election by the Board.
- 5.4 The Committee Members should have appropriate skills, knowledge and experience relevant to the duties and scope of the Committee.
- 5.5 Appointments, rotations and resignations will be decided by the Board subject to the other provisions of this section 5, and paragraphs 6 and 7 below.
- 5.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for up to two additional three-year periods.
- 5.7 The chairman of the Committee shall be a Non-Executive Member. The Chairman may nominate any other Non-Executive Member of the Committee to chair meetings of the Committee in their absence.
- 5.8 The chairman of the Committee shall be appointed or removed by resolution of the Board.
- 5.9 The chairman of the Committee will have no casting vote.
- 5.10 The Office of the Company Secretary of the Company will provide secretarial services to the Committee.

6. VACATION OF OFFICE

- 6.1 Membership of the Committee shall cease in accordance with paragraph 6.2 in respect of any member where:
- (a) a bankruptcy order has been made against him or her or he or she has compounded with his or her creditors generally or has applied to the court for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act; or
 - (b) in England, Scotland or elsewhere an order has been made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for that member's detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or
 - (c) a regulator has declared that that member is not a fit and proper person in the context of his or her membership of the Committee or withdraws the member's status as an approved person; or
 - (d) the member is imprisoned; or
 - (e) the member dies or otherwise becomes incapable of acting; or
 - (f) that member resigns or retires by notice in writing either to the chairman of the Committee or to the Chairman of the Board; or
 - (g) the member is a Non-Executive Member who shall for more than six consecutive months have been absent without permission from meetings of the Committee held during that period and the other members resolve that his or her office be vacated.
- 6.2 In any case falling within paragraph 6.1(e), cessation of membership will be automatic in the event. In any case falling within paragraphs 6.1(a), 6.1(b), 6.1(c), 6.1(d) or 6.1(g) cessation of membership shall only be effected by notice in writing to the Board signed by the chairman of the Committee or by a majority of the remaining members of the Committee.

- 6.3 Membership of the Committee shall in addition cease in respect of any member if the Board shall have delivered a notice in writing to the chairman for the time being of the Committee and to the member removing that member from the Committee. Notice will not be effective in so far as membership of the Committee ceases to comply with the provisions under paragraph 5.1 of these terms of reference.

7. NEW OR REPLACEMENT MEMBERS

- 7.1 New or replacement Members will be appointed by the Board and any such appointment shall be effected by notice in writing to the chairman for the time being of the Committee.
- 7.2 All appointments to the Committee shall follow due process including but, as the case may be, not limited to:
- Consultation with the With-Profits Actuary in accordance with the requirements of COBS 20.5.5 (4);
 - Preparation of a paper for the Board providing details of the skills, experience, capability and capacity of the candidate taking account of the requirements of the terms of reference and FCA Handbook (including those in COBS 20.5.7);
 - Consideration of the proposed appointment by the Company's Nomination Committee; and
 - Consideration and, if thought fit, approval of the proposed appointment by the Board taking account of the recommendation of the Nomination Committee and the Chair of the WPC.

8. EXTERNAL ADVICE

- 8.1 The Committee may take such external financial, accounting, actuarial, legal or other advice as the Committee deems appropriate. The Committee may request that the cost of such external advice is either paid by SLAL, or shared between SLAL and the relevant with-profits fund(s) depending on whether the issue under consideration is a matter that is wholly or partly to the benefit of the Company, or wholly or partly for the benefit of with-profits policyholders.

9. COMMITTEE PROCEDURES

- 9.1 The Committee shall meet on a quarterly basis or more frequently if required (usually shortly before a scheduled Board meeting).
- 9.2 Meetings of the Committee shall be convened at the request of any of its members on not less than 14 days' notice and an agenda shall be circulated not less than seven days in advance of the meeting to all members (or, in the case of both the convening of meetings and circulation of the agenda, such shorter periods of time as the members of the Committee may unanimously agree). The agenda must set out in sufficient detail the business to be disposed of and resolutions to be put to the meeting. No business or resolution may be transacted or validly passed at a meeting unless sufficient details thereof have been included in the agenda unless otherwise agreed by all of the Non-Executive Members.
- 9.3 The quorum necessary for the transaction of business shall be at least half the number of, and no less than two, members of the Committee, one of whom must be the Chairman or his/her nominated deputy.
- 9.4 A meeting of the Committee at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Committee.
- 9.5 The Company shall make available its company secretary (or such other person as may be appointed by him) to produce the minutes of meetings of the Committee and shall procure that such minutes are produced as soon as reasonably practicable after the relevant meeting of the Committee.

- 9.6 A meeting may be held by the Committee members communicating with each other by any technological means by which they are able simultaneously to hear each other and participate in discussion. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and count in the quorum accordingly. The minutes of the meeting shall record the method by which the meeting was conducted.
- 9.7 Subject to paragraph 9.8, resolutions of the Committee shall be made by vote of the members at a duly constituted meeting of the Committee, and shall be passed if approved by a simple majority of those present and voting.
- 9.8 The Committee may deal with matters requiring a decision by way of Written Resolution. Such Written Resolution will be deemed to have been passed when all Committee members have signed the Written Resolution.
- 9.9 In these terms of reference, references to 'in writing' include the use of electronic communications subject to such terms and conditions as the members of the Committee may decide.
- 9.10 Only members of the Committee and the Secretary to the Committee have the right to attend Committee meetings. The With-Profits Actuary is expected to attend every Committee meeting. The SL International Head of Actuarial Function (or another SL International representative) is expected to attend the parts of every Committee meeting concerning matters affecting SL International policyholders. Other individuals may be invited to attend all or part of any meeting as and when appropriate, at the sole discretion of the Committee.
- 9.11 The Secretary shall, subject to the agreement of the Committee Chairman, extend an invitation to the Directors of SLAL and SL International and ensure that they are provided with the details of each Committee meeting including the venue, time and date, and given access to the agenda and papers as appropriate.
- 9.12 The Committee shall, at all times, keep the Board informed as to the matters considered by it and as to the decisions and recommendations made by it. Without prejudice to the generality of the foregoing, the Committee shall procure that minutes of all its meetings are promptly delivered to the Board. The minutes of any items affecting SL International policyholders shall be submitted to the SL International Board.
- 9.13 Each member of the Committee shall be entitled to receive information relating to the WP Funds and, if such member considers it necessary subject to giving not less than seven days (inclusive) notice in writing to the other members, the Boards or its nominated representative and the Company's Chief Actuary, the seven day period to commence on the day on which the last of them is notified, as to the subject matter of the relevant communication, to communicate with the appropriate regulatory authorities.
- 9.14 The Committee will have access to the services of the Company's secretariat function on all Committee matters, including assisting the Committee Chairman in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.

10. COMMITTEE PROCEDURES

- 10.1 The Committee will review its terms of reference annually.

Appendix A -

With-Profits Compliance Pro-Forma

Appendix

Paper Title

Description	Details
With-Profits Fund(s)	•
Principles and Practices of Financial Management (PPFM)	•
Version Number and Date	

Board Paper	
Title	
Date	
Author	

Purpose of the Board Paper

Resolution	
Explain why this is a WPC matter including cross reference to WPC ToR	•
Does this resolution impact upon the financial management of the with-profits funds?	
Is the resolution consistent with the current PPFM?	
Is the resolution consistent with the amended PPFM if changes are being proposed?	
Has any material judgement been exercised in relation to principles or key practices within the PPFM? If so provide summary details including the principles and/or practices.	

<p>Are changes required to the PPFM as a result of approval of this resolution?</p> <p>Describe the change in high level terms.</p>	
<p>If the proposals relate to changes to the PPFM have they received legal/actuarial review?</p> <p>Were any reservations expressed?</p>	
<p>Has the subject matter of the paper been considered by the Financial Risk Committee and if so with what result.</p>	
<p>Has the With-Profits Actuary reviewed these proposals for compliance with Treating Customers Fairly?</p>	
<p>Has the With-Profits Committee reviewed these proposals for consistency with the PPFM and run off plans?</p> <p>Any comments?</p>	

Standard Life Assurance Limited is registered in Scotland (SC286833) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.
Standard Life Assurance Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority
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