

Scottish Equitable Policyholders Trust Ltd

Board of Directors

Terms of reference

Effective 13 June 2024

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These terms of reference summarise the remit, purpose, authority etc of the Board of Directors of SEPT (as defined below). In the event of a conflict between these terms of reference and the underlying legal documents applicable to SEPT (articles of association, Scheme of Demutualisation and agreements) the terms of the underlying legal documents prevail.

1 Purpose of the Scottish Equitable Policyholders Trust Ltd (“SEPT”) Board

To act in the best interests of the Qualifying Policyholders (“QPs”) through:

- Acting as the trustee of SEPT;
- Holding the Special Share in the capital of Scottish Equitable Holdings Limited (“SEHL”) (having the rights set out in the SEHL Memorandum and SEHL Articles), and
- Enacting the powers (see section 2.2 below) it holds under the scheme of demutualisation (the “Scheme”) of Scottish Equitable Life Assurance Society (“SELAS”) and the joint venture agreement (the “JVA”) between SELAS and Aegon International BV. This includes ensuring that the terms of the Scheme are complied with and representing the interests of QPs in matters concerning interpretations or court approved modifications of the Scheme.

SEPT also acts as the With-Profits Committee for Scottish Equitable plc’s (“SEPLC”) with-profits business with the role of assessing, reporting on and providing clear advice and, where appropriate, recommendations to the SEPLC Board (the “SE Board”) on:

- (a) the way in which the With-Profits SubFund (“WPSF”) is managed by SEPLC and whether this is properly reflected in the Principles and Practices of Financial Management (PPFM);
- (b) whether SEPLC is complying with the principles and practices set out in the PPFM;
- (c) whether SEPLC has addressed effectively the conflicting rights and interests of with-profits policyholders and other stakeholders,

including non-participating policyholders and the SEPLC shareholder(s), in a way that is consistent with FCA Principle 6 (treating customers fairly);

- (d) the SE Board’s exercise of discretion in the management of the with-profits sub-fund, and
- (e) any other issues with which the SE Board considers with-profits policyholders might reasonably expect SEPT, in its role as the With-Profits Committee, to be involved.

2 Authority

2.1 SEPT was established as part of the scheme of demutualisation of SELAS in 1993. This provides SEPT with a range of powers to ensure ongoing compliance with the Scheme and JVA including those listed in section 2.2 below.

The Agreement (the “Agreement”) between SEPT and SEPLC dated 14th and 19th October 2004 commenced the role of SEPT as also acting as the With-Profits Committee for Scottish Equitable’s with-profits business. It should be noted that this role is carried out under contract and SEPT is not legally a committee of SEPLC.

SEPT has the right to be represented on the Scottish Equitable With-Profits Forum (the “WPF”) through one Director of SEPT acting as a member of the WPF. The WPF acts as the forum (committee of the SE Board) in which the responsibilities of SE Board relating to the governance of with-profits business are discharged. Decisions made on matters within the remit of the WPF are reported or escalated to the SE Board in accordance with its terms of reference.

1 A Qualifying Policyholder is defined as:

1) any person who was a member of SELAS at demutualisation by reason of their assurance and where assurance was transferred from SELAS to SEPLC, or

2) any person from whom SEPLC accepted a proposal which is for with-profits assurance or which subsequently became with-profits assurance.

In each case, for only as long as the policy is kept in force and remains a with-profits assurance.

2.2 General powers of SEPT over the operation of SEPLC and SEHL

The Scheme and JVA outline the powers of SEPT over the operation of SEPLC and SEHL. These include:

- The right to be consulted on and give consideration to the investment policy of the WPSF and bonus rates declared for with-profits policies;
- Various powers to call on SEPLC to provide information, access to documentation and certificate on any issues which SEPT may need to be satisfied about;
- Power to hire professional advisers and have them paid;
- The right to communicate with the Regulators over a matter of concern;
- The power to, or make SEPLC, communicate to QPs over a matter of concern;
- The power to appoint two Directors to each of the Boards of SEPLC and SEHL;
- The power to act as a shareholder in the general meetings of SEHL, and
- Specific rights if Aegon wishes to transfer all of their shares to a third party outside of the Aegon group.

SEPT do not currently exercise the power to appoint two Directors to each of the Boards of SEPLC and SEHL as recorded in the minute of the meeting of the SEPT Board dated 21 December 1998. Instead representation is undertaken through one Director of SEPT acting as a member of the WPF which is the forum (committee of the SE Board) in which the responsibilities of the SE Board relating to the governance of with-profits business are discharged. SEPT's right to appoint Directors to the Boards of SEPLC and SEHL may be activated at any time if the SEPT Directors consider it appropriate.

2.3 Matters for which SEPT is responsible

Scheme (including subsequent agreements between SEPT and SEPLC) and JVA Duties

SEPT is obliged to:

- Act in the best interests of the QPs (however, SEPT has complete discretion under the documentation as to how, or whether, it exercises any of its powers, or follows resolutions passed by QPs at an Annual General Meeting);
- Ensure that SEPLC and SEHL comply with their respective obligations under the Scheme, the JVA and the SEHL memorandum and articles. This includes ensuring (together with SEPLC) scheme compliance of transfers to and from the WPSF;
- To provide consent to the establishment of any new sub-fund in the Long Term Fund of SEPLC;
- To provide consent to any change in annual management charge for Unitised With-Profits policies;
- To provide consent to any new business being written into the WPSF after the date of demutualisation;
- To consider and provide consent to any changes to the allocation of expenses and charges between the WPSF and NPSF;
- To hold the Annual General Meeting of QPs, and
- To prepare a report for the Annual General Meeting reviewing its activities in its capacity as trustee for the previous 12 months.

SEPT is responsible for considering and reviewing the Scheme Compliance Certificate provided jointly by the Chief Actuary and With-Profits Actuary to the regulator within the annual Regulatory returns as required by section 8.9 of the Scheme .

SEPT shall consider and opine on any issues impacting on Scheme compliance including issues where discretion has or is being proposed to be exercised by the SE Board including how any competing or conflicting rights and interests of QPs with and without valuable guarantees, and, where applicable shareholder(s) have been addressed.

² With effect from the Certificate in respect of the period ending 31 December 2011, the Certificate will be provided jointly by the Chief Actuary and the With-Profits Actuary.

The Chair of the SEPT Board will meet with the SE Board of Aegon UK on an annual basis.

Duties as the With-Profits Committee of Scottish Equitable's with-profits business

SEPT will decide on the matters it will consider in order to enable it to carry out its role described in Section 1 as appropriate to the circumstances of the WPSF; and in any event give appropriate consideration to the following non-exhaustive list of specific matters:

- (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 market value reductions have been calculated and applied;
- (iii) the relative interests of policyholders with and without valuable guarantees;
- (iv) with-profits customer communications such as annual policyholder statements and product literature and whether SEPT wishes to make a statement or report to with-profits policyholders in addition to the annual report made by SEPLC;
- (v) any significant changes to the risk or investment profile of the WPSF including the management of material illiquid investments;
- (vi) the SEPLC strategy for future sales supported by the assets of the WPSF 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 charges incurred in operating the WPSF;
- (xi) the identification and extent of the WPSF, with particular regard to the considerations as to whether a part of the WPSF constitutes a separate with-profits fund in accordance with FCA and PRA rules, and

- (xii) the use and purpose of, and terms under which, any support assets are available to the WPSF, having regard to the considerations in FCA guidance for contingent loans and other forms of support for the WPSF.

In support of, or in addition to, the above items SEPT will give appropriate consideration to the following:

- proposed changes to the PPFMs (including actions to inform policyholders of the changes in accordance with regulatory requirements);
- proposed exercise of material management discretion for with-profits business (in respect of which the SE Board shall ensure that SEPT is kept aware);
- proposals that impact pay-outs to with-profits policyholders, including:
 - distribution of the inherited estate;
 - expense levels;
 - percentage of asset shares paid out at maturity and surrender;
 - treatment of miscellaneous profits and losses, and
 - the allocation of tax liabilities to the WPSF.
- matters that materially impact the financial position of the with-profits funds, including:
 - Capital risk tolerance, including solvency targets;
 - investment performance and strategy, including investment risk tolerance, investment decisions and the use of derivatives and special asset classes;
 - actions to mitigate risk, and
 - any unusual or one-off items that management proposes are charged to the with-profits funds.
- the SE Board's annual report to with-profits policyholders concerning management of with-profits business, including:
 - the way the SE Board has exercised discretion;

- the way the SE Board has addressed competing or conflicting rights, interests and expectations of with-profits policyholders with and without valuable guarantees and, if applicable, the shareholders in a way that is consistent with Principle 6 (treating customers fairly), and
- the way and the extent to which the SE Board has informed policyholders of changes to the PPFMs, and
- proposed changes to with profits customer communications such as annual policyholder statements and product literature

SEPT shall, at least annually, review the exercise of management discretion and report to the SE Board acting through the With-Profits Forum as to whether, in the Committee's opinion, the SE Board is in compliance with the relevant PPFM.

In meeting its responsibilities, SEPT shall be cognisant of FCA and PRA rules and guidance about with-profits policies as well as all legal documents governing the with-profits funds.

SEPT will liaise closely with the With-Profits Actuary and SEPT shall be entitled within reason to request the With-Profits Actuary to carry out investigations into matters which are of actual or potential concern to SEPT and to obtain his opinion and input as appropriate.

SEPT will advise the SE Board on the suitability of candidates proposed for appointment as the With-Profits Actuary. SEPT will provide the firm with its assessment of the performance of the With-Profits Actuary at least annually and will report its view to the SE Board.

2.4 Delegated Authorities

With regards to compliance with FCA requirements on SEPT in light of its role as a with-profits committee, SEPT's role is advisory only and whilst it exerts significant influence it does not have any specific authority delegated to it by the SE Board.

2.5 Access to Information

To fulfil its mandate, SEPT shall have access to and review all reports to the SE Board or a committee thereof concerning the financial position and obligations of the with-profits funds.

SEPT may examine and consider such other matters in relation to the with-profits funds as SEPT may, in its discretion, determine to be desirable. The members of SEPT shall also receive copies of any examination report of the with-profits funds made by regulatory authorities.

3 Membership and Voting

3.1 Members:

The Directors of SEPT as appointed in accordance with the articles of association of SEPT and the Trust Deed by SEPT dated 31 December 1993 (as amended). The membership will consist of at least 3 Directors and any person appointed as a member of SEPT must have the appropriate skills, knowledge and experience to perform, or contribute to, as appropriate, the role set out in 1(a)-(e) and 2.3(i)-(xii).

3.2 Chair: The Chair as appointed by SEPT from time to time or, in their absence, the Chair appointed by the meeting.

3.3 Secretary: The Secretary of SEPT as appointed by the Board.

3.4 Attendees: SEPT requires attendance from the following:

3.4.1 Two Executive directors of the SE Board (currently SEPT is content that no Executive Director of SEPLC attend on the basis that the General Counsel and Company Secretary and the Chief Actuary are in attendance);

3.4.2 The With-Profits Actuary of the Scottish Equitable WPSF; and, where appropriate,

3.4.3 The Chief Actuary, and/or

3.4.4 A person suitably qualified to report on the investment strategy of the WPSF.

3.5 Quorum: At least half of the number of, and no less than two, members or such other higher number of members as proposed by the Chair or approved by SEPT at a quorate meeting.

3.6 Voting rights: All Members have the right to vote on any matter raised at a meeting of the SEPT Board. Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority. In the case of an equality of votes the Chair holds a casting vote.

4 Escalation

- 4.1 As contained within the Agreement SEPT can request clarification from the SE Board relating to matters concerning PPFM compliance and where necessary instruct the SE Board to produce a report, in terms acceptable to SEPT, to either (or both) the PRA/FCA and Scottish Equitable with-profits policyholders.
- 4.2 With regards to acting as the With-Profits Committee, SEPT may terminate the Agreement either on 3 months' notice or immediately if SEPT believes SEPLC is in breach.

5 Frequency

SEPT shall meet at least 4 times per year, or more frequently as the Chair may specify.

6 Standing Agenda Items

- 6.1 The agenda for each meeting is proposed by the With-Profits Actuary in consultation with the Company Secretary of SEPT to the Chair who, after consultation with other Directors of SEPT, may request modification to the agenda by adding or removing items as appropriate.
- 6.2 Standing agenda items to be considered by SEPT shall normally include, but not be limited to:
- 6.2.1 Minutes of previous meeting;
 - 6.2.2 Business Update presented by an Executive Director of the SE Board or the Chief Actuary;
 - 6.2.3 Investment Update;
 - 6.2.4 Actuarial Adviser's Report;
 - 6.2.5 With-Profits Actuary's Report;
 - 6.2.6 Capital Management (MI Pack);
 - 6.2.7 Target Payout compliance report;
 - 6.2.8 Annuity Pricing review, and
 - 6.2.9 Incident update.

For the avoidance of doubt, not all of the above items will necessarily need to be included at all meetings.

- 6.3 The Secretary of SEPT will maintain an annual agenda planner which will include the timing of the following annual (or more frequently if requested by SEPT) reports:

- 6.3.1 Annual Reversionary Bonus declarations;
- 6.3.2 Report on PPFM compliance;
- 6.3.3 Reports from the SE Board to with-profits policyholders;
- 6.3.4 Consistency of regulatory capital calculation assumptions with the PPFMs;
- 6.3.5 Any changes to the PPFMs;
- 6.3.6 Compliance with Scottish Equitable's Scheme of Demutualisation;
- 6.3.7 Estate distribution and guarantee charge;
- 6.3.8 Internal Audit report on issues arising regarding WPSF matters;
- 6.3.9 External Audit reports regarding WPSF matters;
- 6.3.10 With-Profits complaints report;
- 6.3.11 Consumer Duty Reporting;
- 6.3.12 An annual review of compliance with the Terms of Reference;
- 6.3.13 Investment Strategy Review;
- 6.3.14 Risk Tolerance, and
- 6.3.15 Run-Off Plan Updates.

7 Inputs/ Outputs

7.1 Inputs:

Reports for all the items above are produced and circulated ahead of SEPT meetings with the exception of the Actuarial Adviser's Report (see section 6.2.4 above) which is the responsibility of the SEPT actuarial adviser.

Relevant issues arising from internal or external audit reports.

7.2 Outputs:

- 7.2.1 Minutes and actions list

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