

WITH PROFITS COMMITTEE - TERMS OF REFERENCE

Purpose	<ol style="list-style-type: none"> 1. The With Profits Committee (“WPC” or the “Committee”) acts in an advisory capacity to inform the decision-making of the board of Scottish Widows Limited (the “SW Board” or “Company”) in relation to the management of the Scottish Widows With-Profits Fund and the Clerical Medical With-Profits Fund (together the “With-Profits Funds” or “With-Profits business”). 2. The WPC also acts as a means by which the interests of With-Profits policyholders are appropriately considered.
Review and advice	<p>The responsibility of the Committee is to provide an independent view on the management and operations of the With-Profits business of the Company. The Committee will assess, report on, and give clear advice (and, where relevant, recommendations) to the SW Board on:</p> <ol style="list-style-type: none"> 3. the way in which the Company’s With-Profits Funds are managed and whether this is properly reflected in the Principles and Practices of Financial Management (“PPFM”); 4. whether the Company is complying with the principles and practices set out in the PPFM; 5. whether the Company has addressed effectively the conflicting rights and interests of With-Profits policyholders and other policyholders or stakeholders, including shareholders, in a way that has paid due regard to the interests of the Company’s customers and has treated them fairly; and 6. any other issues with which the Board or the Committee consider With-Profits policyholders might reasonably expect the Committee to be involved.
Review and recommend	<p>The Committee will decide on the specific matters it will consider in order to enable it to carry out these responsibilities as appropriate to the particular circumstances of the With-Profits Funds. The Committee will also consider the impact of management actions referred to it and will consult with the With-Profits Actuary of the Company (“With-Profits Actuary”). In complying with this responsibility, the role of the Committee is:</p> <ol style="list-style-type: none"> 7. to consider issues arising from the Company’s choices in relation to the management of the With-Profits business, including adherence to the scheme of transfer, the PPFM and conduct of business rules (including adherence to any ‘run-off plans’ required by those or other rules); 8. to consider any proposals to change the financial management of With-Profits business (including related changes to the published PPFM and Consumer Friendly PPFM); 9. to consider and challenge recommendations for the setting and application of bonus rates, market value reductions and policy surrender values, including consideration of: <ul style="list-style-type: none"> • the identification of the amount of surplus potentially available for distribution from the Clerical Medical With-Profits Fund estate and the Scottish Widows With-Profits Fund Additional Account and Retained Account; • proposed distributions (including consideration of the merits of distributing or retaining identified surplus and the distribution policy); • smoothing; and • charges for the cost of the various guarantees contained in With-Profits policies (and the relative interests of policyholders with different guarantees, if relevant); 10. before the SW Board makes any decisions on With-Profits investment strategy or

	<p>policy, to review the proposals and advise on them. In addition, when considering matters impacting both the With-Profits Funds and corporate pensions products (which will be reviewed by the Independent Governance Committee (“IGC”)), the need for the SW Board to consider both the views of the WPC and of the IGC in its decision-making is acknowledged;</p> <ol style="list-style-type: none"> 11. to consider risks to the With-Profits Funds and With-Profits customers, any significant changes to those risks, and their mitigation; 12. to review relevant management information and consider the Company’s practices in connection with the fair treatment of their With-Profits customers, including reviewing and monitoring the level and nature of complaints in the With-Profits Funds and analysis of how investment returns, charges and other factors influence payments made to customers; 13. to consider the costs charged to the With-Profits Funds for their operation, noting that the IGC will also consider such costs and may also present a view to the Board. The SW Board must consider both the views of the WPC and of the IGC in its decision-making; 14. to consider the identification and extent of the With-Profits Funds, with particular regard to the considerations as to whether a part of a With-Profits Fund constitutes a separate With-Profits Fund; 15. to consider the use and purpose of, and the terms under which support assets are available to, the With-Profits Fund; 16. to review the strategy for future sales supported by the assets of the With-Profits Fund and its impact; 17. to consider drafts of, and updates to, the scheme of transfer and any ‘run-off plans’; 18. to consider updates, clarifications or corrections to the published PPFM and Consumer Friendly PPFM as and when appropriate; 19. to consider and recommend approval of the proposed annual reports to policyholders from the SW Board; 20. to consider the Company’s other communications to With-Profits policyholders, such as annual statements and product literature, and make appropriate recommendations; 21. to consider whether the Committee wishes to make annual reports, or other statements, to With-Profits policyholders (in addition to the annual reports from the Company); 22. at the request of the SW Board, to monitor progress in relation to any reviews affecting With-Profits policyholders (including any that the regulator may request the Company to carry out), bearing in mind the balancing of policyholder and shareholder interests; 23. to consider and recommend to the SW Board the exercise of independent oversight and discretion in the operation of the Company’s With-Profits business and the advice provided by the With-Profits Actuary as and when necessary; 24. to advise the SW Board on the suitability of any candidate proposed for appointment as a With-Profits Actuary and to provide the SW Board with assessments of the performance of the With-Profits Actuary for the purpose of the Company’s performance appraisal and remuneration processes; and 25. to review, and consider the impact of, any other proposals or decisions affecting the With-Profits business and/or its governance.
Scope	<ol style="list-style-type: none"> 26. The Committee should consider matters affecting policyholders generally (or matters which affect sub-groups of policyholders), rather than individual cases.

<p>Status, Source of Authority & Accountability</p>	<p>27. The WPC is a committee of the SW Board.</p> <p>28. The WPC's authority is derived from the SW Board's establishment of it and the approval by the Board of these TOR].</p> <p>29. The nominated member of WPC for the SW Board is the WPC Chairman.</p>
<p>Authorisation</p>	<p>30. The Committee is authorised and/or reserves its right to obtain or to be informed of the following matters:</p> <p>31. to investigate any matters related to these terms of reference and have such direct access to the resources of the Company and its subsidiaries as it may reasonably require to perform its duties;</p> <p>32. any information it requires from any employee within the <i>Insurance Group</i> business in order to perform its duties and all are directed to cooperate with any request made by the WPC.</p> <p>33. to obtain (at the <i>Company'/Companies'</i> (as appropriate) expense) outside legal or other professional advice on any matter within its TOR.</p> <p>34. to call any employee to be questioned at a meeting of the Committee as and when required.</p> <p>35. obtain and take into account legal or other independent advice and obtain appropriate funding for the payment of relevant fees and expenses; and</p> <p>36. consult and take into account the views of the With-Profits Actuary and any independent actuary.</p> <p>37. 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.</p> <p>38. have access to sufficient resources in order to carry out its duties, including support from the Company Secretariat for assistance as required.</p>
<p>Composition</p>	<p>Membership</p> <p>39. The WPC shall consist of not less than three members, the majority of whom shall be Independent Non-Executive Directors or other persons who are independent of the Company.</p> <p>40. WPC members shall have the appropriate skills, knowledge and experience to perform, or contribute to, as appropriate, the work of the Committee</p> <p>41. WPC members will be appointed by the Board in consultation with the Chairman of the WPC.</p> <p>42. The duration of appointments of WPC members will be determined by the SW Board and, unless determined otherwise, will mirror the individual member's term of office as a Director (where applicable).</p> <p>Chairman</p> <p>43. The Chairman of the WPC shall be appointed by the SW Board.</p> <p>44. In the Chairman's temporary absence, one of the members nominated by the Chairman or elected by the other members of the Committee may act as Chairman for the duration of that meeting.</p> <p>Secretary</p> <p>45. The Company Secretary or Deputy Secretary or Assistant Company Secretary of the Company or their delegate shall act as secretary of the Committee.</p>
<p>Procedural</p>	<p>46. Frequency of Meetings</p> <p>47. The Committee shall meet at least four times a year and otherwise as required.</p>

	<p><i>Papers and minutes</i></p> <p>48. Meeting papers will be circulated to Committee members and other attendees as appropriate at least five working days in advance of each meeting, unless otherwise agreed by the WPC Chairman.</p> <p>49. The draft minutes of the Committee’s meetings shall be distributed to all those members who wish to provide comments (following any necessary input from management).</p> <p>50. The draft minutes shall be reviewed by the Chairman and, after review by the Committee and any corrections received from the members they shall be accepted by the Committee as a true and accurate record at the commencement of the next meeting.</p> <p><i>Quorum</i></p> <p>51. The quorum necessary for the transaction of business shall <i>be at least half of the number (and no less than two)</i> of the members.</p> <p><i>Attendees</i></p> <p>52. Attendance by delegates in the place of WPC members is not permitted.</p> <p>53. Only WPC members have the right to attend WPC meetings. Routinely, the With-Profits Actuary will attend meetings of the Committee.</p> <p>54. Other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary. Members of the Board who are not WPC members may attend meetings of the WPC at the discretion of the WPC Chairman.</p> <p>55. WPC must, at a frequency determined by its Chairman, review its own performance and effectiveness. Such review will normally take place every second year.</p> <p><i>Committee evaluation</i></p> <p>56. WPC must, at a frequency determined by its Chairman, review its own performance and effectiveness. Such review will normally take place every second year.</p> <p>57. At least annually, WPC must review its terms of reference to ensure it is operating at maximum effectiveness.</p> <p>58. Any changes WPC considers necessary or appropriate following review of its Terms of Reference or its effectiveness should be recommended to the SW Board for approval.</p>
<p>Senior Committees / Legal Entity Boards</p>	<p><i>Reporting to the SW Board</i></p> <p>59. The WPC Chairman (or other individual nominated for that purpose) shall report formally to the SW Board on WPC’s meetings after each meeting on all matters within WPC’s responsibilities.</p> <p>60. The Committee shall make whatever recommendation to the SW Board it deems appropriate on any area within its remit where action or improvement is required.</p> <p>61. The WPC Chairman must at least once each year present the WPC’s report to the SW Board in person. They may present it in person more frequently if either they or the Chairman of the SW Board considers it appropriate.</p>