

SUN LIFE ASSURANCE COMPANY OF CANADA (U.K.) LIMITED
(the “Company”)

TERMS OF REFERENCE
FOR THE
WITH-PROFITS COMMITTEE

1. Purpose

The Company has established the With-Profits Committee (the “**Committee**”) as a committee of the Company’s Board whose primary function is to assess, report on and to provide independent advice to the Board of Directors of the Company (the “**Board**”) on the way in which the SLOC With-Profits Fund (the “**Fund**”) is managed.

2. Membership

The Committee shall consist of not less than three members, with a majority of the members being Non-Executive Members appointed 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.

In line with the Matters Reserved for the Board, the appointment of the Committee Chair is subject to the approval of the Company’s Board. Any member of the Committee may be removed or replaced at any time by the Board.

It is expected that the With-Profits Actuary, Chief Actuary and Head of Product Management will normally attend all meetings of the Committee. Other Board members and members of management shall attend if invited by the Committee.

A Non-Executive Member shall be a person who is not employed in an executive capacity, and does not hold any position other than that of a non-executive director or non-executive member of a board 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 holding company or companies.

A Non-Executive Member shall not be a person who:

(i) is or has been, at any time in the five years preceding their 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 their 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);

(iii) receives or has received, at any time in the three years preceding their 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 non-executive member of a board 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 with-profits committee or equivalent committee within the Company or any other predecessor company whose with-profits policies or with-profit funds is or has been transferred to the Company) for more than nine years from the date of their first election save that any Non-Executive Member who has served for more than nine years from the date of their first election shall be subject to annual re-election by the Board.

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3. Chair

The Board shall appoint the Committee Chair, who shall be a Non-Executive Member. The duties of the Committee Chair, including any prescribed responsibilities under the Senior Managers Regime, are set out in the Committee Chair's Role Profile and Statement of Responsibility. Upon the resignation of the Committee Chair, the remaining members of the Committee shall ensure that a replacement is appointed by the Board as soon as reasonably practicable. The Committee Chair may be replaced at any time with the consent of the Board.

In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4. Secretary

The Secretary of the Company, or their nominee, shall be the Secretary of the Committee.

5. Quorum

The quorum for a meeting of the Committee shall be a majority of the Non-Executive Members present, provided that there is a minimum number of two Non-Executive Members present, at the commencement of the Committee meeting, duly convened in accordance with these terms of reference.

6. Frequency of Meetings

A schedule of regular Committee meetings will be circulated to the members and agreed upon prior to the commencement of each calendar year. The Committee shall meet as frequently as necessary but no less than four times each year.

7. Notice of Meetings and Operations

Confirmation of the date, time and place of regular meetings, together with an agenda of items to

be discussed and any supporting papers, will be sent to the members approximately one week in advance of regularly scheduled meetings. Special meetings of the Committee may be called by the Committee Chair or the With-Profits Actuary or by any member of the Committee on 48 hours' notice. Members may participate by audio, visual link or by other electronic communication provided that all members can hear each other and be heard.

8. Minutes of Meetings

The Secretary shall minute the proceedings and decisions of all meetings of the Committee, in such detail as the Committee Chair considers reasonable, including recording the names of those present and in attendance. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all Directors of the Board unless, in the opinion of the Committee Chair, it would be inappropriate to do so.

9. Duties

The Committee has the following responsibilities to the Board:

- 9.1 The Committee shall be responsible for providing independent advice to the Board in respect of:
- (a) the Company's regulatory responsibilities to With-Profits customers and in particular the obligation to pay due regard to their reasonable expectations;
 - (b) the Company's compliance with the Principles and Practices of Financial Management (the "PPFM"), and whether the way in which the Fund is run is properly reflected in the PPFM;
 - (c) the fair treatment of With-Profits customers. The Committee shall consider the Customer Outcomes Management Information including customer complaints data;
 - (d) the Company's exercise of discretion in the management of the Fund;

- (e) the implementation and monitoring of the overall investment strategy of the Fund;
- (f) the overall management of the financial position of the Fund (including any changes to the risk and investment profile and the monitoring of liquidity); and
- (g) any other issues or matters which the Committee might reasonably expect to be considered by the Committee.

9.2 The Committee shall make recommendations to the Board with respect to:

- (a) proposed changes to the PPFM (including actions to inform With-Profits customers of the changes in accordance with regulatory requirements);
- (b) proposed exercise of material management discretion (in respect of which the Board shall ensure that the Committee is kept aware);
- (c) proposals from management that impact pay-outs to With-Profits customers, including:
 - (i) how annual and final bonus rates are calculated and applied;
 - (ii) the identification and calculation of excess surplus on an annual basis as required by the Financial Conduct Authority's (the "**FCA**") Conduct of Business Sourcebook ("**COBS**"), and therefore the merits and extent to which (if any) it should be distributed;
 - (iii) the calculation of the excess assets (previously known as inherited estate) and the extent to which (if any) it should be reattributed;
 - (iv) expense levels;
 - (v) changes to risk appetite (including liquidity);
 - (vi) the application of smoothing; and
 - (vii) the relative interests of With-Profits customers with and without valuable guarantees;
- (d) matters that materially impact the financial position of the Fund, including:
 - (i) investment strategy;
 - (ii) investment performance;
 - (iii) actions to mitigate risk; and

- (iv) any unusual items that management proposes be charged to the Fund;
 - (e) significant changes to the Company's communications with its With-Profits customers;
 - (f) the Company's annual report to With-Profits customers concerning management of With-Profits business, including:
 - (i) the way that the Company has exercised discretion;
 - (ii) the way that the Company has addressed competing or conflicting rights, interests and expectations of With-Profits customers and, if applicable, its shareholders, in a way which is consistent with delivering good customer outcomes; and
 - (iii) With-Profit Fund customer communications generally, and in particular the way and the extent to which the Company has informed customers of changes to the PPFM;
 - (g) any de-risking action that should be considered in relation to the Fund (which shall be outlined within a With-Profits Management Action Plan).
- 9.3 The Committee shall review the Company's annual report and the With-Profits Actuary's annual report to With-Profits customers of the Fund, and may make separate reports to With-Profits customers to be annexed to the Company's and the With-Profits Actuary's annual reports.
- 9.4 The Committee shall, at least annually, review the exercise of management discretion and report to the Board as to whether, in the Committee's opinion, the Company is in compliance with the PPFM.
- 9.5 In meeting its responsibilities, the Committee shall be cognisant of the FCA's and Prudential Regulation Authority's (the "**PRA**") rules and guidance about With-Profits policies as well as all legal documents governing the Fund.
- 9.6 The Committee shall prepare a report to the FCA or the PRA (as appropriate) if the Board acts in a manner inconsistent with its advice.
- 9.7 The Committee shall review and monitor compliance with run-off plans, court schemes and similar matters.
- 9.8 The Committee shall consider the identification and extent of the Fund, 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.

- 9.9 The Committee shall consider the use and purpose of, and terms under which, support assets are available to the Fund, having regard to the COBS.
- 9.10 The Committee shall recommend candidates to the Board for appointment as a member or Non-Executive Member of the Committee or as the With-Profits Actuary. The Committee shall assess the performance of the With-Profits Actuary at least annually, and report its view to the Board.
- 9.11 The Committee shall review the role profile and statement of responsibility of the With-Profits Actuary on an annual basis and recommend any changes it considers necessary to the Board for approval.

10. Reporting Responsibilities

At the next regularly scheduled meeting of the Board, the Committee shall report to the Board, such report to include the Committee's recommendations on matters relating to the Fund requiring approval of the Board or one of its committees.

11. Access to Information

To fulfil its mandate, the Committee shall have access to and review all reports to the Board or a committee thereof concerning the financial position and obligations of the Fund. The members of the Committee shall also receive copies of any report of the Fund made by regulatory authorities and which are within the Committee's mandate.

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Secretary of the Company for assistance as required; and
- (b) 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.

12. Other Matters

The Committee may, at the expense of the Company, engage any professional advisers it deems necessary to provide independent advice.

The Committee shall review at least annually these Terms of Reference and recommend any changes it considers necessary to the Board for approval.

13. Authority

The Committee is authorised:

- (a) to seek any information it requires from any employee of the Company in order to perform its duties; and
- (b) to call any employee to be questioned at a meeting of the Committee as and when required.

The Committee is an advisory Committee and, as such, has no delegated authority to make decisions. The Board has delegated certain responsibilities to the Committee which are detailed under Section 9 (Duties). The Committee is unable to onward delegate its duties and responsibilities.