

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**”) 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 is managed.

2 Membership

The Committee shall consist of the Committee Chair and at least two independent Non-Executive Directors of the Company. The members of the Committee shall be appointed by the Board. Appointment of the Committee Chair is subject to the prior approval of the Chief Executive Officer (“**CEO**”) of the Parent Company. 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 With-Profits and Product Management will normally attend all meetings of the Committee. Other Board members and members of management shall attend if invited by the Committee.

3 Chair

The Board shall appoint the Committee Chair, who shall be a person with no association in any capacity with the Company. 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 and the prior approval of the CEO of the Parent Company.

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

Two members of the Committee shall constitute a quorum provided that at least one of them is the Committee Chair or in their absence an appointed deputy.

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 policyholders 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 SLOC With-Profits Fund is run is properly reflected in the PPFM;
 - (c) the fair treatment of With-Profits policyholders. The Committee shall consider the Treating Customers Fairly Management Information including customer complaints data;
 - (d) the Company's exercise of discretion in the management of the SLOC With-Profits Fund;

- (e) the implementation and monitoring of the overall investment strategy of the SLOC With-Profits Fund;
- (f) the overall management of the financial position of the SLOC With-Profits 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 policyholders of the changes in accordance with regulatory requirements);
- (b) proposed changes to the Consumer Guide for the SLOC With-Profits Fund
- (c) proposed exercise of material management discretion (in respect of which the Board shall ensure that the Committee is kept aware);
- (d) proposals from management that impact pay-outs to With-Profits policyholders, including:
 - (i) how annual and final bonus rates are calculated and applied;
 - (ii) the identification and calculation of surplus and excess surplus on an annual basis, and therefore the merits and extent to which (if any) it should be distributed;
 - (iii) the calculation of the inherited estate and the extent to which (if any) it should be reattributed;
 - (iv) expense levels;
 - (v) changes to risk appetite (including liquidity risk appetite);
 - (vi) the application of smoothing; and
 - (vii) the relative interests of With-Profits policyholders with and without valuable guarantees;
- (e) matters that materially impact the financial position of the SLOC With-Profits 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 SLOC With-Profits Fund;
 - (f) the Company's communications with its With-Profits policyholders;
 - (g) the Company's annual report to With-Profits policyholders concerning management of With-Profits business, including:
 - (i) the way the Company has exercised discretion;
 - (ii) the way the Company has addressed competing or conflicting rights, interests and expectations of With-Profits policyholders and, if applicable, its shareholders, in a way which is consistent with the principle of treating customers fairly; and
 - (iii) With-Profit Fund policyholder communications generally, and in particular the way and the extent to which the Company has informed policyholders of changes to the PPFM;
 - (h) any de-risking action that should be considered in relation to the SLOC With-Profits 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 policyholders of the SLOC With-Profits Fund, and may make separate reports to With-Profits policyholders 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 Financial Conduct Authority's (the "FCA") and Prudential Regulation Authority's (the "PRA") rules and guidance about With-Profits policies as well as all legal documents governing the SLOC With-Profits 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 SLOC With-Profits 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 the Conduct of Business Sourcebook.

- 9.9 The Committee shall consider the use and purpose of, and terms under which, support assets are available to the SLOC With-Profits Fund having regard to the Conduct of Business Sourcebook.
- 9.10 The Committee shall recommend candidates to the Board for appointment as a 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 SLOC With-Profits 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 SLOC With-Profits Fund. The members of the Committee shall also receive copies of any report of the SLOC With-Profits 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.