At the Annual General Meeting of

THE EQUITABLE LIFE ASSURANCE SOCIETY

held on Monday, 23 May 2016 at 11.00 a.m.

....

The following persons were present:

Ian Brimecome	(Chairman)	(in the Chair)
Keith Nicholson	(Deputy Chairman)	
Penny Avis		
Ian Gibson		
Cathryn Riley		
Simon Small		
Chris Wiscarson		

There were 50 members entitled to vote present in person and one proxy who had been appointed by a member to vote on their behalf at the meeting. The Chairman and Chris Wiscarson had also been appointed by members to vote on their behalf at the meeting.

....

The Chairman, Ian Brimecome, opened the meeting and welcomed those attending. He introduced his fellow directors.

The Chairman outlined the agenda for the meeting. He and the Chief Executive will give their assessment of the Society without reference to any remuneration matters. General questions will then be taken on the 2015 Report and Accounts before passing across to the Chair of the Remuneration Committee who will speak about the changes to the remuneration policy. The Chairman will then invite a further round of questions specifically dealing with all remuneration matters.

Presentations to the meeting were then given by the Chairman and by the Chief Executive, Chris Wiscarson.

The Chairman's presentation referred to volatility in financial markets since the beginning of 2016 and the impact this has on the amount of capital the Society is required to hold under the new regulations known as Solvency II. He commented that one of the consequences, given this climate, is that it is not unthinkable that the capital distribution of 35% may have to reduce at some point in the future.

The Chairman commented that the greatest risk to the Society is that policyholders defer taking their retirement savings in a low interest rate environment. As the prospect of earning a level of return on the fund to meet the 3.5% per annum guarantees is slim, the Society must hold capital back. This is potentially unfair to those policyholders leaving over the next several years compared to the smaller number who stay. He remarked that research is being undertaken to better understand policyholders' motivations in deciding when to take their benefits. The more certainty we have, the better the Society can manage the fair distribution of capital.

The Chairman commended the executive team for their management of the Society's cost base, reducing the running costs of the business in 2015 from £29m to £26m.

The Chairman commented on the recent increase in annual management charges to unit-linked policyholders. He said the previous charge had been materially lower than most other providers and would not cover the costs of running this business as the unit-linked funds become smaller. As it is the with-profits policyholders who would pick up any shortfall, it was deemed fair to increase the unit-linked charges so the potential for subsidy by with-profits policyholders was all but eliminated.

The Chief Executive then commented on matters in relation to 2015. He remarked that in 2015 just under 35,000 policyholders took their benefits. This was a material increase on 2014 but less than in 2012. Approximately half those taking benefits were between age 55 and 60, such policyholders taking advantage of the opportunity to receive cash under the new Pension Freedoms.

In regard to the reduction in administration expenses, the Chief Executive commented that the cost base should fall as the number of policies the Society administers falls. This is a relatively straightforward measure albeit one that is inevitably associated with job losses. In 2016, about 30 staff will be leaving the Society. We are transparent with staff on how the run-off impacts jobs. They tell us in our half yearly attitude surveys that they appreciate this transparency, and morale remains at the top end of our expectations. The Chief Executive paid tribute to the Society's staff for their support and dedication in recreating policyholder value.

In regard to capital distribution, the Chief Executive said that the very biggest issue on Board's minds today is what economic scenarios might cause the 35% capital distribution to be reduced, the top one being low interest rates. The Chief Executive explained how Solvency II requires the Society to hold back more capital in a low interest rate environment compared to the previous method. If there were short term economic events in the period around the UK Referendum, we may need to take action to protect the Society's solvency ratios. That could mean reducing the capital distribution.

The Chief Executive went on to say that if policyholders do not materially change their retirement intentions then, once the economy recovered, we would expect to build our way back to the position we have seen over recent years in terms of a significant distribution of capital at payout. Simply stated, if policyholders carry on doing what the Society expects them to do, any reduction in capital distribution for economic reasons should be temporary.

Following the presentations, the Chairman invited Members' questions.

Five members made reference to the following principal topics:

- Following the pension reforms, some insurance companies require that independent advice is sought before benefits can be taken and whether that is appropriate for small funds.
- The amount of capital that would remain if all policyholders took their benefits immediately; and what that sum would represent in terms of an uplift to capital distribution
- Information on the number of policyholders remaining with the Society and a request for this information to be included in the Annual Report and Accounts
- The number of policyholders who are still paying into their policies
- The number of policyholders who have investments in excess of £50,000 with the Society
- Information provided on the website for unit-linked policyholders
- The financial instruments in place to provide benefits when interest rates are very low and policyholders defer retirement

Responses were provided by the Chairman, the Chief Executive and the Finance Director.

A presentation on proposed changes to executive remuneration was given by the Chair of the Remuneration Committee. It is proposed that a new bonus level is introduced instead of introducing a new long-term incentive plan. A higher level of bonus would be paid but one half of the new bonus would be deferred for three years. Provisions would be in place to claim back bonus payments if necessary.

The Chairman of the Remuneration Committee commented that the revised directors' remuneration policy is simple. There is a strong link between pay and performance. And, the policy does not lead to an increase in the overall level of remuneration. She commended the remuneration policy to members.

No questions were raised on remuneration matters.

The Chairman moved on to the formal business. He asked that the Notice of the meeting and the Auditors' Report be taken as read and this was agreed.

The Chairman then turned to voting on the resolutions to be put to the meeting which were as set out on the poll card which members eligible to vote or their proxies had been given on entering the meeting. The Chairman proposed that all the resolutions should be dealt with on a show of hands.

The Chairman moved that the report of the Directors and the statement of accounts for the year ended 31 December 2015 together with the report of the auditors thereon be received and adopted. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that PricewaterhouseCoopers LLP be reappointed as auditors of the Society until the conclusion of the next General Meeting at which accounts are laid before the Society at a remuneration to be determined by the Board. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that the Directors' remuneration report be approved. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that the Directors’ remuneration policy be approved. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

Resolutions relating to the election of directors in place of those retiring at the meeting were then put to the meeting. The Chairman remarked that, as had been the practice in recent years, all the Society’s directors were submitting themselves for re-election at the current meeting. The meeting voted on a resolution in respect of each of the directors retiring and seeking re-election at the meeting, these being: Penny Avis, Ian Brimecome, Ian Gibson, Keith Nicholson, Cathryn Riley, Simon Small and Chris Wiscarson. The Deputy Chairman, Keith Nicholson, took the chair for the part of the meeting during which the re-election of the Chairman, Ian Brimecome, was proposed and voted on. In each case the result of the show of hands was overwhelmingly in favour of the re-election of the director in question. After each show of hands, the proxy votes received were displayed and it was noted that the result of the show of hands was consistent with the proxy votes received. The Chairman noted that each of the directors standing for re-election had been re-elected as a director of the Society.

The Chairman thanked the members for their attendance and declared the AGM closed at 12.00 p.m.