

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## TERMS OF REFERENCE FOR THE WITH-PROFITS COMMITTEE

### 1. Objective

The WPC considers matters affecting with-profits policyholders such that the interests of all, or where relevant specific groups of, policyholders are appropriately considered. The primary objective is to ensure the fair treatment of with-profits policies. This will be achieved by having due regard for:

- Appropriate risk and capital management
- Fair payouts at retirement / maturity or transfer / surrender
- Appropriate investment strategies for the Society's fund
- Clear and timely policyholder communications.

Details of how this is achieved are documented in the Society's Principles and Practices of Financial Management (PPFM) and "Guide to how we manage the with-profits fund" published on the Society's website. The WPC has specific responsibility for the maintenance of these documents.

### 2. Membership

Members of the Committee will comprise all Board members.

The following will also attend meetings:

- With-Profits Actuary
- Chief Financial Officer
- Risk Director
- Company Secretary (secretary)

The quorum required for meetings of the Committee will be attendance by four members, at least three of whom must be non-executive Directors.

Members are required to have appropriate skills, knowledge and experience to perform and contribute to the Committee. In addition, members must demonstrate independence in character and judgment when forming part of the Committee.

### 3. Frequency of meetings

The Committee will meet as part of Board meetings at which there are WPC items and on an ad hoc basis where required so that meetings are no less than every quarter.

#### **4. Authority**

The Board has agreed that the Society's With-Profits Committee is an appropriate response to COBS 20.5 and that a separate and independent With-Profits Committee is not required.

The Committee is authorised by the Board:

- (a) to investigate any activity within its terms of reference;
- (b) to seek any information it requires from any employee related to any matter within the Committee's terms of reference, and all employees are directed to co-operate with any request made by the Committee;
- (c) to obtain, at the Society's expense, external legal or other professional advice on any matter falling within its terms of reference;
- (d) to establish a Sub-Committee. Members of the Sub-Committee must comprise at least two non-executive Directors. The Sub-Committee may appoint not more than two external members. The quorum will be three members, at least two of whom must be non-executive Directors;
- (e) to invite third parties with relevant experience and expertise to attend meetings of the Committee, if it considers this necessary to properly discharge its duties.

#### **5. Duties**

The Committee's main duties are, as relevant, to assess, report on, provide clear advice and, where appropriate, recommendations to Board on all matters that affect with-profits policyholders with the primary aim of ensuring with-profits policyholders are treated fairly.

5.1 The following list represents the key areas the Committee will address:

- Management of the Society's fund where this relates to or impacts on outcomes to with-profits policies. In particular, strategic change and the suitability of proposed management actions and risk appetite.
- Identification of surplus and determination of payout levels including changes in Policy Values (and final bonus rates, their equivalents, for conventional with-profits policies) as well as the distribution of excess surplus having given consideration to the methods used to determine changes in the level of payouts and the calculations used to determine payouts.
- Calibration of Financial Adjustment (FA) factors having given consideration to the methodology in deriving FA factors and how they are applied to determine non-contractual payouts.

- Comment on the suitability of the charges for with-profits funds and costs of operating the fund.
  - Analyse and understand the impact on with-profits policyholders' payouts from material changes in: the risks with-profits policyholders face; relevant regulations; Board decisions; and other events that have the potential to materially impact with-profits policyholder payouts.
  - Comment on the suitability of the investment policy and relevant changes. In particular, the suitability of material levels of illiquid assets and any strategic assets (eg material purchases of buildings for use by the Society and as fund investments).
  - Suitability and effectiveness of key with-profits policyholder communications including annual statements and other key communications.
  - Review Board's annual report to with-profits policyholders and consider whether the Committee wishes to make any additional statement.
  - Appropriateness of the with-profits PPFM. The Committee will review the with-profits PPFM, at least annually and prepare an annual report on compliance along with recommended changes where appropriate to ensure the management of the Society's with-profits policies remains appropriately communicated.
  - Recommendations, having due regard for conflicts between: groups of with-profits policyholders (eg policies with differing Guaranteed Interest Rates); with-profits policyholders and members; with-profits policyholders and other policyholder groups, in accordance with Principle 6 (treating customers fairly).
  - Comment on the suitability of drafting, review, updating and compliance of run-off plans, court schemes and similar matters.
  - Review key metrics relevant to the interests of with-profits policyholders.
  - Any issues with-profits policyholders might reasonably expect the Committee to consider.
- 5.2 The Committee will work closely with and obtain the opinion and advice of the With-Profits Actuary as appropriate. The Committee will review and report to Board on the performance of the With-Profits Actuary on an annual basis taking into account the quality and timing of the With-Profits Actuary's contribution to the Committee and its objectives. It will also advise on the appointment of the With-Profits Actuary's successor.
- 5.3 The Committee will review and update its terms of reference annually, requesting approval from the Board for all proposed changes.

## **6. Reporting procedures**

The Company Secretary shall, in consultation with the Chair and the With-Profits Actuary, prepare an agenda for each WPC meeting which will be incorporated into the Board's agenda. In the event there are no WPC agenda items, a nil agenda item will be included.

The Company Secretary shall circulate draft minutes and actions arising from and agreed at each meeting, together with agreed responsibilities and anticipated timescales to all members of the Committee. Minutes and actions will form part of the Board's minutes and actions.

As all the Board members are also members of the Committee, the Committee will sit during a Board meeting. The Committee will as relevant, assess, report on, provide clear advice and, where appropriate, recommendations to Board on all matters that affect with-profits policyholders with the primary aim of ensuring with-profits policyholders are treated fairly.