

1.0 GENERAL

- 1.1 The role of the POIS With-Profits Advisory Arrangement (PWPA) is to provide independent judgment to the Board of Directors ("The Board") of the Society including consideration of the conflicting rights and interests of the POIS With-Profits policyholders and other policyholders and stakeholders including members of the Society in a way that is consistent with the fair treatment of customers.
- 1.2 The PWPA is advisory in nature i.e. it is not a decision making body.
- 1.3 The PWPA reports to the Board and shall conduct its business in accordance with the Society's Rules, these Terms of Reference, any applicable legislation or regulation and the Society's policies, principles and values.

2.0 MEMBERSHIP

- 2.1 Membership and the Chairmanship of the PWPA will be determined by the Board taking into account the recommendations of the Nominations Committee.
- 2.2 Before making an appointment to the PWPA the Society shall consult the With-Profits Actuary.
- 2.3 The PWPA will consist of not fewer than three members. All members of the PWPA must be Non-Executive Directors.
- 2.4 Only members of the PWPA and the Society's With-Profits Actuary have the right to attend PWPA meetings but other individuals may be invited to attend whole or part of the meeting if appropriate.
- 2.5 The PWPA may request the presence, at any of its meetings, of any Employees of the Society as it may decide.

3.0 MEETINGS

- 3.1 The Chairman of the PWPA will chair each meeting. In the case, of the Chairman's absence, the members present will elect one of their number to chair the meeting.
- 3.2 The PWPA will meet at least four times a year.
- 3.3 The date of any meeting will not be changed without all members being given at least one week's notice of the revised date.
- 3.4 The quorum will be at least half the number of the PWPA and no less than two members. PWPA members may be present in person or through any other means of communication but to count towards a quorum; members must be able to fully participate in the PWPA's proceedings.
- 3.5 The content of the Agenda for each meeting shall be drafted by the Company Secretary, in a form agreed from time to time with the Chairman, and as discussed by the Senior Management Team prior to approval by the Chairman.

- 3.6 The agenda and papers for each meeting of the PWPAA will be submitted under the authority of the Chairman and will be circulated to members of the PWPAA at least one week prior to the meeting. Papers not complying with these requirements will not be tabled at the meeting except with the prior approval of the Chairman.
- 3.7 The Chairman may vote on any issue as an ordinary member of the PWPAA. If, having done so, the voting is level; he may, if he so decides exercise an additional casting vote to decide the issue.
- 3.8 The Company Secretary or his or her nominee will act as Secretary to the PWPAA. The Secretary is responsible for producing minutes of the PWPAA meetings. The minutes will be passed to the Chairman and circulated to all PWPAA members and appropriate attendees within two weeks.

4.0 MAIN FUNCTIONS

- 4.1 A schedule of matters to be considered by the PWPAA in undertaking its role is attached as Appendix 1. This schedule is not exhaustive and the PWPAA shall have the authority to consider any matter affecting, or with the potential to affect, the With-Profits policyholders.
- 4.2 The PWPAA will advise the Society on the suitability of candidates proposed for appointment as the With-Profits Actuary and will assess the performance of the With-Profits Actuary at least annually, and report its view to the Board.

5.0 STANDARDS

- 5.1 It is the responsibility of the PWPAA to monitor that, in regards to the interests of the policyholders of the POIS With-Profits Fund that the PWPAA follows appropriate good practice as laid down in the Society's policies, principles and values and relevant codes of practice.

6.0 REPORTING

- 6.1 The Chairman shall report formally to the Board on the proceedings of the PWPAA after each meeting and on how it the PWPAA has discharged its responsibilities to With-Profits policyholders.
- 6.2 The PWPAA shall assess report on, and provide clear advice and, where appropriate, recommendations to the Board on:
- the manner in which the POIS With-Profits Fund is managed and whether this is properly reflected within the PPFM;
 - whether the Society has complied with the Principals and Practices set out in the PPFM;
 - whether conflicts of interest, including inter-generational issues, issues between with-profits policyholders and members, non-profit policyholders and other stakeholders, have been identified and managed in a way that is consistent with Treating Customers Fairly, or, where applicable, how it is proposed they should be managed;
 - any proposed amendment to the PPFM.
- 6.3 The PWPAA will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 6.4 The Board shall promptly feedback to the PWPAA the decisions made by the Board in relation to the advice and recommendations given to it by the PWPAA.
- 6.5 If the Board departs in any material way from the advice or recommendations of the PWPAA, it shall set out fully its reasons and allow the PWPAA a reasonable period to consider them and to respond.
- 6.6 If following such a response the Board still wish to depart in any material way from the advice or recommendations of the PWPAA, the PWPAA shall have the right to make further representations to the Board. Again the Board shall set out fully its reasons for the continuing departure from the PWPAA's advice or recommendations.
- 6.7 The PWPAA shall produce a report, in accordance with any applicable governance code and any other relevant regulations or guidance, to be included in the Society's Annual Report, and ensure that all appropriate disclosure obligations are fulfilled.
- 6.8 The PWPAA shall have the right to require a report, written and approved by the WPA, to be published to the With-Profits policyholders.
- 6.9 The Chairman will attend the Annual General Meeting to respond to any questions on PWPAA activities.

7.0 AUTHORITY

- 7.1 In order to perform its duties the PWPAA is authorised to seek any information it reasonably requires from any Director, employee of and consultant engaged by the Society.
- 7.2 The PWPAA is authorised to obtain, at the Society's reasonable expense the opinion and input of the With-Profits Actuary on any matters within its terms of reference in accordance with any procedures agreed by the Board.
- 7.3 The PWPAA is authorised to obtain, at the Society's reasonable expense, outside legal or other professional advice on any matters within its Terms of Reference in accordance with any procedures agreed by the Board.
- 7.4 The Chairman of the PWPAA shall have the right of access to the Chairman of the Society to discuss any matter of concern to the PWPAA.
- 7.5 The Society shall notify the Appropriate Regulator in the event that the Board departs from the PWPAA's advice or recommendation on any significant issue, provided that the matter has been escalated within the Society first and if the PWPAA considers it to be in the interests of the Society whilst recognising that such a notification is likely to be made only in exceptional circumstances.

8.0 CHANGES IN CIRCUMSTANCES AND OTHER INTERESTS

- 8.1 The PWPAA shall adhere to the Society's Conflict of Interest Policy, the Society Rules and relevant legislation. When there is an agenda item which poses a conflict of interest for any PWPAA member that member should withdraw from the meeting.
- 8.2 All declarations of conflicts of interest shall be recorded in the minutes of the meeting. They shall also be recorded in the register of interests of Directors and senior staff.
- 8.3 All PWPAA members are required to notify the Secretary of the Society of all other bodies in which they have a significant interest or of which they are an employee, director, partner, trustee or for which they perform a similar role.

8.4 All PWPAA members are required to notify the Secretary of the Society of any changes in circumstances which may affect their Approved Person status under the Appropriate Regulator's regulatory regime or their ability to perform their role as a member of the PWPAA.

9.0 MONITORING

The PWPAA will:

- 9.1 Periodically review these Terms of Reference and make any necessary proposals to the Board as to their amendment.
- 9.2 Periodically review and report to the Board on the effectiveness of the PWPAA.
- 9.3 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.

Approved by the Board 9 December 2015

A handwritten signature in blue ink, appearing to read 'Glossed', is written over the text 'Company Secretary'.

Company Secretary

**SCHEDULE OF MATTERS RESERVED FOR THE POIS WITH PROFITS ADVISORY
ARRANGEMENT**

This schedule is not exhaustive and the PWPAA shall have the authority to consider any matter affecting, or with the potential to affect, the With-Profits policyholders by giving consideration to the following:

- any matters that the With-Profits policyholders might reasonably expect the PWPAA to scrutinise.
- the identification of surplus, and excess surplus, and the merits of its distribution as against retention;
- the way in which the Society has exercised, or proposes to exercise, its discretion in the management of the With-Profits business including, but not limited to, matters relating to the calculation and application of asset shares, smoothing, bonus declarations and MVRs.
- the relative interests of policyholders with and without valuable guarantees
- the Society's customer communications, including annual bonus notices and product literature;
- any significant changes, or proposed changes, to the risk and investment profile of the POIS With-Profits, including the management of material illiquid investments and strategic investments;
- the impact of any planned or implemented management actions;
- any relevant management information, such as policyholder complaints data
- the drafting, review, updating and adherence to, distribution, management and run-off plans and transfer instruments as appropriate and ;
- the costs incurred in operating the With-Profits fund;