

BOARD FAIRNESS (CONDUCT RISK MANAGEMENT) COMMITTEE**TERMS OF REFERENCE****VERSION CONTROL**

These Terms of Reference are owned by the Board of ReAssure and amendments to these terms of reference can only be approved by the Board.

Version	Change owner	Change summary	Approving Body	Approval date
0.1	Andrew Nash	Development of new ToR for Fairness Committee	Admin Re Boards	21 January 2010
0.2	Andrew Nash	Formal approval of ToR for Scheme purposes.	Fairness Committee	17 March 2010
0.3	Andrew Nash	Updates following Governance and IGR reviews	Fairness Committee & Admin Re Boards	22 September 2010
0.4	Andrew Nash	Updating & revisions to accommodate corporate new structure and COBS 20.5	Fairness Committee & ReAssure Board	27 June 2012
0.5	Andrew Nash	Updating to more fully reflect the fairness role of the Committee	Fairness Committee & ReAssure Board	19 September 2012
0.6	Deborah Dees	Updating to reflect change of title of one of the members and the new regulators replacing the FSA	Fairness Committee & ReAssure Board	22 May 2013
0.7	Abdul Oppal	Updating to reflect correct typographical errors to legal entity names and consistency with terminology employed in Swiss Re bylaws	Company Secretary	19 September 2013
0.8	Damon Girling	Updated to reflect compliance and governance with our Board approved Conduct Strategy.	Fairness Committee & Company Secretary	12th March 2014
0.9	Paul Shakespeare	Updated Title of the committee to reflect conduct strategy, TOM and general updates	Company Secretary	December 2014

1.0	Paul Shakespeare	Updated to reflect the introduction of the IGC	Fairness Committee & Company Secretary	March 2015
1.1	Paul Shakespeare	Updated to reflect changes agreed as part of Quicken Part VII transfer	Fairness Committee & Company Secretary	June 2015
1.2	Deborah Knight	Updated to reflect changes agreed as part of the RLL Part VII transfer	Fairness Committee & Company Secretary	September 2016 ¹
1.3	Guy Burman	Update to reflect re-branding and changes to management and committee structures	ReAssure Board	29 June 2017

¹ RLL Part VII transfer effective on 31 December 2016

The definitions set out at the end of this document apply to the interpretation of terms used in these Terms of Reference.

1. PURPOSE

The purpose of the Fairness (Conduct Risk Management) Committee (hereafter referred to as 'the Committee') is to:

- oversee the fair treatment of policyholders
- monitor compliance with our Board approved Conduct Strategy to ensure customers' interests remain at the heart of how the business is run (i.e. our products and services meet customers' needs).
- take account of both our internal culture / behaviours and customers' actual behaviours, in assessing appropriateness of process and outcomes.
- act as the with-profits committee for ReAssure;
- provide independent judgement in assessing compliance with the principles and practices of the with-profits funds of ReAssure;
- to consider significant transactions and issues arising in the Long Term Business Funds of ReAssure which affect policyholders' and shareholder's interests (or conflicting interests of different groups of policyholders) so as to ensure that each party is treated fairly;
- advise the Board on matters which affect policyholders' and shareholder's interests (or conflicting interests of different groups of policyholders), so as to ensure that each party is treated fairly; and
- fulfil any obligations assigned to the Committee by Schemes of transfer under Part VII of the Financial Services and Markets Act 2000 (or any replacement or successor legislation), and in particular the Schemes under which the business of NM Pensions Limited, ReAssure Life Limited (previously known as NM Life Limited) and Guardian Assurance Limited (previously known as ReAssure Life Limited) transferred to ReAssure.

2. SCOPE AND CONSTITUTION

The Committee:

- acts on behalf of ReAssure; and
- operates under powers delegated to it from the Board of ReAssure.

These Terms of Reference have been approved by the Board.

Changes to these Terms of Reference are constrained by the requirements of this Committee under the NM Scheme, and cannot be amended unless the relevant provisions of the NM Scheme are satisfied.

3. MEMBERSHIP

All members of the Committee shall have the appropriate skills, knowledge and experience to execute their duties in relation to with-profits business.

The Committee members shall comprise:

- An Independent Member (Chairman)
- Three additional Independent Members
- Swiss Re Managing Director, Group Chief Actuary

The assigned independent members may be independent Non-Executive Directors of regulated companies in the ReAssure Group. Independent members who hold such positions may also be independent non-executive directors of other entities within the ReAssure Group, but (except in their role as a member of the Committee or as a Non-Executive Director of entities within the ReAssure Group they shall not be employees, directors or holders of other positions remunerated by Swiss Re or any of its subsidiaries.

The following individuals will normally attend meetings of the Committee:

- ReAssure Group CEO
- ReAssure With-Profits Actuary
- ReAssure Chief Actuary
- ReAssure Head of Product and Proposition
- Conduct Strategy Manager
- ReAssure Group Head of Compliance

The Chairman of the Committee may nominate one of the independent Committee members as Deputy Chairman to act as Chairman in his absence.

Other ReAssure Directors may attend meetings of the Committee and the Chairman may invite other persons to attend where appropriate to support the discharge of the Committee's Duties.

4. QUORUM

The quorum for a Committee meeting to take place is three members, the majority of whom must be independent and one of whom must be the Chairman or the Chairman's nominated deputy.

It is permissible for the Chairman, nominated deputy, and / or other Committee member to attend a Committee meeting via conference and / or video call.

Where there is no quorum, the Committee meeting should be re-scheduled as soon as practicable, preferably within ten days.

5. FREQUENCY AND TIMING

The Committee will meet at least four times a year. The Chairman may call additional meetings as necessary.

6. PRINCIPAL DUTIES

General duties in respect of fairness to policyholders

- To monitor, review and challenge the application and evidence of the delivery of fair outcomes to policyholders.
- To receive and consider reports from the Conduct Strategy Manager in relation to TCF matters and Conduct Strategy issues, risks and initiatives.
- Ensure customers' interests remain at the heart of how the business is run and that products and services meet customer's needs.
- Take account of our internal culture to ensure this influences the right behaviors and contribute towards a customer focused culture.
- Where customer behavior is not consistent with what we would expect to see, challenge our process and communications to help improve the end outcome.

- To review and challenge the minutes of the ReAssure Management Committee and Treating Customers Fairly Management Committees and refer items back to those bodies for operational action as appropriate.
- To consider any relevant management information such as customer complaints data, customer survey / satisfaction feedback and delivery of progress against Conduct Strategy targets
- To consider any issues of potential conflict arising in the Long Term Business Funds between shareholder and policyholders' interests (or conflicting interests of different groups of policyholders) and advise the Board as deemed appropriate.
- As of 6 April 2015, responsibility for the governance of the ReAssure work based pension book transferred to ReAssure's Independent Governance Committee and close liaison between the Committees was expected.

The Principal Duties above also include matters of fairness to unit linked policyholders. The following additional explicit duties relate to unit linked policies transferred to the Company under the HLUK 2015 Scheme and under the RLL 2016 Scheme (both defined below)

- When considering discretionary proposals to:
 - (a) modify significantly the range, composition or investment objectives of any unit linked fund (which may include merging, closing or dividing any such fund) transferred from (i) HSBC Life (UK) Limited (the "HLUK 2015 Scheme") or (ii) Guardian Assurance Limited (previously known as ReAssure Life Limited) (the "RLL 2016 Scheme"), in both cases pursuant to an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (as amended):
 - to consider whether the modifications to the funds would result in a position that is close to the original in their overall type and quality; and
 - in reviewing such proposals the Committee should consider:
 - the potential size of the risks and policyholder impacts (including the materiality and complexity of the proposals);
 - where relevant, the differences between the existing and proposed objectives and/or type and quality of funds (as applicable) including, where relevant (a) the material difficulties or uncertainties with, or likely to be encountered in, measuring the prospective policyholder impacts);
 - whether it is appropriate to exercise its power under paragraph 7 to obtain independent professional advice to consider and report on the policyholder impacts of the proposals; and
 - whether to advise the Board to notify such matters to the applicable Regulator(s).
 - (b) replace an investment manager (being an incumbent investment manager at the time of the HLUK 2015 Scheme) in respect of any unit linked fund transferred from HSBC Life (UK) Limited pursuant to the HLUK 2015 Scheme the Committee should consider the potential overall policyholder impacts of the proposed change of manager.
- In the event of a proposal to modify this section of the terms of reference (entitled "Duties in respect of fairness to unit linked policyholders transferred to the Company under the HLUK 2015 Scheme and under the RLL 2016 Scheme"), except for any non-material modification, the Fairness Committee will recommend that the Board

notifies the Financial Conduct Authority of the proposed change in good time before the change is made.

Duties relating to Principles and Practices of Financial Management

- To monitor the with-profits funds' compliance with the PPFMs throughout the year, and to communicate any deviations, breaches or suggested changes to the Board as appropriate.
- To consider any changes to the PPFMs and the consumer-friendly versions of the PPFMs ('CFPPFMs'), in advance of their consideration by the Board and to make any recommendations accordingly.

Duties applying in particular to with-profits policy matters

- To approve any material changes to the methods and assumptions used to determine the benefits payable from policies at maturity, surrender or other types of claim and to review the application of such benefits, including bonus rates, smoothing and market value reduction factors.
- To advise on the retention or distribution of any excess surplus in the with-profits funds. In particular, to advise on target ranges used to manage the excess value of assets held to meet the current and expected future liabilities of the Windsor Life With-Profit Fund.
- To consider all proposals for the exercise of discretion in respect of with-profits business including fairness between different classes of policies, different generations of policyholders and between policyholders and shareholders
- To monitor compliance with, and the updating of, run-off plans for the business in the with-profits funds.
- To consider the impact of any management actions planned or implemented.
- To consider the risk profile of the with-profits funds.
- To approve any decisions to allocate or reinsure any future new business into a with-profits fund.
- To consider the investment policies of the with-profits and unit-linked funds, the appropriateness of any strategic assets the funds hold, and to make recommendations to the Board accordingly.
- In relation to intra Group transactions, to validate that any financing (or other) proposals (including but not limited to Part VII Transfers, reinsurances, outsourcing) are fair to the interests of with-profits policyholders.
- To review ReAssure's customer communications such as annual policyholder statements and, if appropriate, to provide a report to with-profits policyholders in addition to ReAssure's annual report to policyholders.
- To advise the Board on the suitability of candidates for the With-Profits Actuary role and to annually assess and report its view to the Board of the performance of the With-Profits Actuary.
- To consider any other issues with which the Board or Fairness (Conduct Risk Management) Committee considers the with-profits policyholders might reasonably expect a with-profits committee to be involved.

Duties in respect of Schemes

- To monitor compliance of the management of Long Term Business Funds with previous Schemes of transfer, and to communicate any deviations, breaches or suggested changes to the Board as appropriate.
- To monitor and advise upon the need for, and any use of, the capital support facility available to the NMWPF and make recommendations to the Board accordingly.
- To monitor and advise upon the fairness of the amounts transferred between funds to set up annuities that benefit from a guaranteed annuity rate or minimum annuity guarantee, taking into account any evolving industry practice in such matters.

- To agree any changes to the expenses or charges for administration and investment management borne by the with-profits funds.
- To act independently of the Board in considering other specific matters set out in the NM Scheme and the RLL 2016 Scheme, and taking decisions as required. These specific matters are listed in Sections 12 and 13 below.

Duties applying in respect of derivatives and quasi-derivatives ('derivatives')

To the extent not inconsistent with the restrictions referred to in Section 2 of these Terms of Reference (save as such restrictions are otherwise validly modified or removed), the Fairness (Conduct Risk Management) Committee shall, with respect to any proposal for ReAssure to employ derivatives, ensure that, prior to such proposal being effected, the Fairness (Conduct Risk Management) Committee has approved (as relevant) any:

- proposed derivative transaction for or on behalf of any of the with-profits funds.
- proposed derivative transaction where the ReAssure Chief Actuary, ReAssure CEO or With-Profits Actuary considers it to pose risks to policyholders which are not immaterial.
- proposed derivative transaction where the ReAssure Chief Actuary, ReAssure CEO or With-Profits Actuary considers it to result in a transfer of value from policyholders to shareholders.

7. DELEGATED AUTHORITY

The Committee is authorised by the Board to undertake all activities within these terms of reference.

The Committee is authorised to obtain independent professional advice and secure the attendance of advisors with relevant experience and expertise when necessary.

Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chairman having a second casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.

8. REPORTING

The Committee will provide regular information to the Board on matters for which it is responsible. The Chairman shall determine the form and nature of such information and that it satisfactorily deals with the duties of the Committee, as outlined above.

For matters that are outside the Committee's authority, the Chairman must ensure that such matters are escalated to the Board.

The Chairman of the Fairness (Conduct Risk Management) Committee will at least once a year report to the Board on the work of the Committee. In addition, the Chairman of the Committee will report to the Board following each Committee meeting with a summary of the matters discussed and the Board will receive all minutes of Committee meetings.

9. AGENDA AND MINUTES

It is the responsibility of the Committee Chairman to determine the agenda for Committee meetings.

The Company Secretary, or nominated individual, will act as secretary for the Committee and complete the following activities:

- Schedule Committee meetings and venue
- Agree the agenda for Committee meetings with the Chairman
- Distribute the agenda and supporting papers
- Minute Committee meetings in sufficient detail to capture the main points of discussion, decisions made and resulting actions
- Distribute minutes of Committee meetings

The agenda for Committee meetings with supporting papers detailing business to be discussed will be circulated approximately one week before the meeting, although urgent items may be circulated separately or tabled.

The minutes of meetings of the Committee will be issued to all members of the Committee and to nominated recipients within 15 business days of the meeting. They will also be distributed to members of the Board. Minutes will also be submitted for approval to the next following meeting of the Committee.

10. MANAGEMENT INFORMATION REQUIREMENTS

It is the responsibility of the Committee Chairman to determine the nature of information required in order that the Committee may discharge its duties effectively.

A calendar of events will be developed and maintained for this Committee by the Company Secretarial function.

Examples of types of information that might be provided to the Committee include:

Quarterly information

- Final bonuses for WLWPF, GAWPF and NMWPF
- Solvency Update from the ReAssure Chief Actuary
- Treating Customers Fairly MI covering both product governance and service.
- Conduct Strategy compliance, risks and observed behaviours impacting customer outcomes – with appropriate measures to assess how Conduct Strategy initiatives and actions are improving customers' behaviour and end customer outcomes.
- Minutes of Treating Customers Fairly (Conduct Risk Management) committees

Half-yearly information

- WLWPF regular bonus review

Annual information

- Terms of Reference review for any subcommittees
- Review of investment policy
- Solvency and Financial Condition Report (SFCR)
- Own Risk Solvency Assessment (ORSA)
- Compliance with PPFM report from With-Profits Actuary
- With-Profits Actuary report on exercising discretion
- Report on compliance with Scheme
- NMWPF regular bonus review
- GAWPF regular bonus review
- NMWPF demutualisation uplift
- Tax charge on the NMWPF
- Report on excess with-profits surplus
- Fair cost of GARs or terms for with-profits deferred annuities in WLWPF, GAWPF, and NMWPF as appropriate
- With-profits past performance

Additional information as required

- unit pricing updates
- PPFM updates
- annuity rate monitoring
- migrations updates
- pricing basis review
- cash funds review
- WPA reports on emerging issues
- Reports on any TCF matters raised by the FSA**

11. EXTRACTS FROM THE NM SCHEME RELATING TO FAIRNESS COMMITTEE REQUIREMENTS

The key provisions are in Section 36 of the Scheme:

Part G – Fairness Committee

36 Establishment and powers of the Fairness Committee

36.1 At the Effective Time, Windsor Life* shall procure that the Rules of the Fairness Committee are adopted.

36.2 Subject to paragraphs 30.1.1, 30.2.1 and 36.3, provided that there remain NMPL NMF Transferred Policies in force, Windsor Life* shall procure that to the extent to which they relate to the existence, appointment, operation, powers, authority, duties and rights of the Fairness Committee, the Rules of the Fairness Committee shall remain in force in the said form at all times.

36.3 Subject to paragraphs 30.1.1 and 30.2.1, no amendment shall be made to the Rules of the Fairness Committee to the extent to which they relate to the existence, appointment, operation, powers, authority, duties and rights of the Fairness Committee as they apply to the NMPL NMF Transferred Policies and NMPL NMF Excluded Policies unless:

36.3.1 no NMPL NMF Transferred Policies or NMPL NMF Excluded Policies remain in force; or

36.3.2 each of the following sub-paragraphs applies:

- (i) the Windsor Life* With-Profits Actuary and the Windsor Life* Actuarial Function Holder*** have certified in writing that, in their opinion, the proposed amendment does not have an adverse effect on the reasonable expectations (taking into account the provisions of this Scheme and any obligations to treat customers fairly) of the holders of NMPL NMF Transferred Policies and NMPL NMF Excluded Policies;
- (ii) the FSA** has been notified and either not made any comment within 30 days or if any adverse comments have been made within 30 days, they are subsequently resolved to the FSA's satisfaction; and
- (iii) the Fairness Committee has been consulted and has not objected to any such amendment.

12. RELEVANT PROVISIONS OF THE NM SCHEME UNDER WHICH SPECIFIC POWERS OF APPROVAL ARE ASSIGNED TO THE FAIRNESS COMMITTEE

Under the provisions of the NM Scheme, in certain areas the Fairness Committee is required to act independently of the ReAssure Board, and approve decisions or transactions affecting these aspects of the business. These provisions are listed below as references to the Scheme document.

Section 24 - entering into, amending or terminating reinsurance arrangements on the NMWPF.

Section 29 – exercising the terms of any financial support arrangement to the NMWPF.

Section 30.1.1 and 30.2.1 conditions on the merger and cessation of the NMWPF.

Section 36.4 – various provisions concerning acquisition and disposal of assets, subsidiaries, and any material transactions outside ordinary course of business. (Namulas is explicitly covered elsewhere in 16.3, and also requires Fairness Committee approval).

Section 42 - any adjustments over £1m in respect of delay of allocation payments between Windsor Life* funds.

Section 44 - any modifications or alterations to the NM scheme itself.

*Note: Windsor Life (Windsor Life Assurance Company Limited) is the former name of ReAssure Limited

**Note: The references to FSA are replaced with FCA and/or PRA (as applicable), or such other replacement regulator which may regulate the business of ReAssure.

***Note: References to the “Windsor Life Actuarial Function Holder” are replaced with references to the “ReAssure Chief Actuary”.

13. RELEVANT PROVISIONS OF THE RLL 2016 SCHEME UNDER WHICH SPECIFIC POWERS OF APPROVAL ARE ASSIGNED TO THE FAIRNESS COMMITTEE

Under the provisions of the RLL 2016 Scheme, in certain areas the Fairness Committee is required to act independently of the ReAssure Board, and approve decisions or transactions affecting various aspects of the business. These provisions are listed below as references to the scheme document.

Definition of “RPI” – approval of the selection of an alternative index for measuring inflation in the UK most closely reflecting the Retail Prices Index if that index ceases to be produced.

Section 6.5 – approval of any determination by the Board where there is doubt as to allocation or attribution of any transferred policy, assets or liability or any residual asset or liability under the RLL 2016 Scheme.

Section 11.2 and 11.3 – approval of an agreement to amend or terminate the Residual Policies Reinsurance Arrangement (as defined in the RLL 2016 Scheme).

Section 16.3 – approval of the internal reinsurance of new business to the Guardian Assurance With-Profits Fund.

Section 18.5 and 18.6 – approval of any action to be taken by the Board in relation to the Internal Notional Reinsurance Arrangements (as defined in the RLL 2016 Scheme) which could result in a material adverse impact on a ReAssure with-profits fund.

Section 21.1 – Fairness Committee to approve the crediting or debiting of amounts to the Guardian Assurance With-Profits Fund as properly attributable to the Guardian Assurance With-Profits Fund.

Section 22.1 and 22.4 – conditions for the merger and cessation of the Guardian Assurance With-Profits Fund.

Section 27.1.2 – allocating or reallocating a policy transferred under the RLL 2016 Scheme to a fund other than the one to which it was originally allocated under that scheme.

Schedule – changes to certain aspects of the definition of “Cash Flows Receivable”.

DEFINITION OF TERMS USED

In this document, the following words or expressions have the meanings set out against them below:

- **Board** : The ReAssure Board of Directors
- **COBS**: FCA** Conduct of Business Sourcebook
- **Committee**: The Fairness Committee
- **CFPPFM**: Consumer friendly version of the PPFM
- **FCA**: Financial Conduct Authority**
- **GAR**: Guaranteed Annuity Rate
- **GAWPF**: Guardian Assurance With-Profits Fund
- **Guardian Assurance With-Profits Fund**: with-profits fund of ReAssure established pursuant to the RLL 2016 Scheme
- **Group**: Swiss Re Life Limited group of companies
- **Independent Member**: A member of the Committee who is deemed to be independent by the Board.
- **NMPL**: NM Pensions Limited
- **NMLL**: ReAssure Life Limited (previously known as NM Life Limited)
- **NM Scheme**: Scheme under which the business of NMPL and NMLL transferred to ReAssure
- **NMWPF/NMF**: National Mutual With-Profit Fund
- **PPFM**: The Principles and Practices of Financial Management
- **Quicken**: The transferred business from HSBC
- **ReAssure**: ReAssure Limited
- **ReAssure Group**: **ReAssure Group Limited and its subsidiaries**
- **TCF**: Treating Customers Fairly
- **ToR**: Terms of Reference
- **WLWPF**: Windsor Life With-Profit Fund
- **WPA**: With-Profits Actuary
- **WPICC**: With-Profits Insurance Capital Component