

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE  
OF PHOENIX GROUP HOLDINGSplc**

Adopted by the Board of Phoenix Group Holdings plc on 22 November 2023

**PHOENIX GROUP HOLDINGSplc**

**(the "Company")**

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

**OF THE BOARD OF DIRECTORS**

**(the "Committee")**

**1. CONSTITUTION**

The Committee has been established by resolution of the board of directors of the Company (the "Board") and is to be known as the Remuneration Committee. Its terms of reference replace the terms of reference of any pre-existing remuneration committee.

**2. ROLE**

The role of the Committee is to establish a framework for remuneration throughout the Group (being Phoenix Group Holdings plc and its subsidiaries) with particular emphasis on risk ('the Group Remuneration Framework'), to set and maintain at appropriate levels the remuneration of the executive directors of the Company; to oversee the Group's share plans; to oversee the Group's compliance with regulatory requirements and guidance regarding executive remuneration and to recommend to the Board the Annual Directors' Remuneration Report (as defined in paragraph 7.3 below).

**3. MEMBERSHIP**

3.1 The Committee shall comprise not less than three members, in each case appointed by the Board from amongst the independent non-executive directors of the Company. In addition, the Chair of the Board may be a member (but not chair) of the Committee if they were considered independent on appointment.

3.2 Appointments to the Committee shall be made by the Board on the recommendation of the Company's Nomination Committee (the "Nomination Committee") and in consultation with the chair of the Remuneration Committee. The Committee Chair shall be appointed by the Board. An individual should have served on a remuneration committee for at least 12 months prior to appointment as Committee Chair.

3.3 Any member (other than the Chair of the Board) who is determined no longer to be independent shall resign from the Committee. The Board will determine each member's independence based on whether the member is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the member's judgement.

- 3.4 In the absence of the Committee Chair, the members attending shall elect one of themselves to be Chair for that meeting as long as they would qualify under these terms of reference to be appointed to that position by the Board.
- 3.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided that (with the exception of the Chair of the Board) the member concerned continues to be independent.
- 3.6 No person shall be permitted to attend Committee meetings unless they are:
- (a) a member or secretary of the Committee;
  - (b) the Group Company Secretary; or
  - (c) invited by the Committee Chair to attend the meeting in question (including but not limited to other individuals such as the Chair of the Board, Chief Risk Officer, Group Chief Executive Officer, the Group HR Director and external advisers).
- 3.7 Members of the Committee shall be named in the Annual Report and Accounts of the Company.

#### **4. SECRETARY**

The Company Secretary or his or her nominees shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### **5. MEETINGS**

- 5.1 The Committee shall meet at least four times a year at such times as may be agreed by the members or more frequently as circumstances require. The quorum for meetings of the Committee shall be two for the purposes of the transaction of business.
- 5.2 Save as provided in paragraphs 5.3 and 5.4, any director of the Company or any invited attendees shall have the right, by invitation in accordance with paragraph 3.3(c), to attend and speak but not to vote at any meeting of the Committee.
- 5.3 No individual shall participate in any decision concerning their own remuneration.
- 5.4 Meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association (the "Articles") governing the proceedings of directors.

#### **6. NOTICE OF MEETINGS**

- 6.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together

with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

- 6.3 No person other than permitted attendees and members of the Company Secretariat shall be entitled to receive any papers relating to the Committee unless expressly authorised in writing by the Committee Chair.
- 6.4 Notwithstanding paragraph 6.3 above, the Board may request copies of the minutes of any meeting of this Committee (provided that no conflict of interest with the business of the meeting exists).

## **7. REPORTING RESPONSIBILITIES**

- 7.1 The secretary shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.
- 7.2 The Committee Chair shall formally report to the Board on its proceedings after each meeting providing details on the nature and content of its discussion, recommendations and action to be taken. The Committee shall bring to attention of the Board and/or make appropriate recommendations to the Board on any area within its remit where action or improvement is needed and adequate time should be available for board discussion when necessary.
- 7.3 The Committee shall provide a description of its work in the annual report in line with the requirements of the UK Corporate Governance Code. The Committee shall also ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the company's annual report and put to shareholders for approval at the AGM as necessary. If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors
- 7.4 The Committee Chair shall attend the annual general meeting of the Company and shall be prepared to respond to any shareholder questions on the Committee's activities raised at that meeting. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility

## 8. AUTHORITY

8.1 The Committee is authorised by the Board to:

- (a) investigate and undertake any activity within its terms of reference;
- (b) liaise with the Risk and/or Audit Committee, where appropriate, in relation to, amongst other things, risk adjusted performance targets;
- (c) seek any information it properly requires from any employee of the Company or of any subsidiary company in order to perform its duties, and all employees are directed by the Board to co-operate with any request made by the Committee; and
- (d) call any employee to be questioned at a meeting of the Committee as and when required.

8.2 If the Committee considers it necessary so to do, it is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend meetings of the Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits authorised by the Board.

## 9. DUTIES

a. Establish and approve:

- i. the overarching Group Remuneration Framework and Policy, ensuring that the remuneration policy and remuneration practices are established, implemented and maintained in line with the Group's strategy, risk profile, culture, purpose and values and the long term interests of shareholders and customers, and incorporating measures aimed at avoiding conflicts of interest.
- ii. the specific remuneration arrangements for the Chair of the Board, the Executive Directors, members of Senior Management<sup>1</sup>, individuals identified as Solvency II Staff and other staff earning above a defined amount<sup>2</sup>, collectively known as "the Executive Group". In doing so, the Committee shall ensure these specific remuneration packages (which typically comprise base salary, annual bonus, long-term incentives, benefits, pension

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<sup>1</sup> The definition of "Senior Management" for this purpose is the Executive Committee and the Group Company Secretary. Note for avoidance of doubt, the annual fees payable to Non-Executive Directors shall be determined by the Chair of the Board and Executive Directors of the Board (see also 9.b.x below) and reported to the Board for noting.

<sup>2</sup> Staff with either a base salary of at least £250,000 and / or total remuneration (including AIP, LTIP and pension) of at least £650,000

arrangements and other discretionary payments (including profit sharing and other performance-related payment schemes)) are:

1. appropriate in the context of each individual's responsibility and seniority;
2. consistent with the overall financial, risk and business position of the Group; and
3. fair in light of each individual's personal performance.

b. Specifically, in respect of individuals identified under 9.a.ii

- i. Review and approve the remuneration principles, policy and framework that govern their remuneration arrangements;<sup>3</sup>
- ii. Review and approve the design of incentive awards, including performance metrics (both corporate and personal) and their calibration, ensuring that they promote sound risk management and alignment with the long-term success of the Group and interests of shareholders and customers;
- iii. Review and approve the individual and corporate performance assessments and variable pay outcomes and apply discretion up or down in accordance with the robust remuneration framework when appropriate;
- iv. Review and approve the eligibility for variable pay awards;
- v. Review and approve any salary adjustments or increases;
- vi. Review and approve the policy for, and scope of, pension considering those available to the wider workforce, and benefit arrangements;
- vii. Review and approve any new starter contractual payment terms (e.g. bonus/share buy-outs or guaranteed bonuses);
- viii. Review and approve any exceptional payments (e.g. retention payments);
- ix. Ensure that the contractual terms and any payments made (including upon termination for good leavers) are fair to the individual and the Group, that failure is not rewarded and that the duty to mitigate loss is appropriately recognised in determining payments to be made.

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<sup>3</sup>The LifeCo Board Matters Reserved include reference to the LifeCo Board approving intended Customer metrics for inclusion in the Annual Incentive Plan arrangements, subject to Group Board Remuneration Committee approval and providing non-objection to non-standard or bespoke remuneration plans and associated metrics for specific Value Centres where performance is based on LifeCo activity, subject to Group Board Remuneration Committee approval.

- x. For avoidance of doubt, the Committee shall not be responsible for setting the individual remuneration of the Group's Non-Executive Directors<sup>4</sup> or employees other than those individuals identified under 9.a.ii (or 9.g), but shall ensure that it has oversight of Non-Executive Directors fees paid to all subsidiary entities and receives an annual update to ensure compliance with the Group Remuneration Framework.
  - xi. For any SII Staff / Material Risk Takers who fall outside of the executive director, executive committee, or higher earner group, the Committee may delegate the authority to review and approve certain aspects of remuneration arrangements to any of its members, attendees, or management, as appropriate. The Remuneration Committee will retain overall responsibility for the Remuneration Framework for this population. The Committee will have access to decisions made with regard to this population under the delegated authority and will receive periodic updates to confirm that the authority has operated with the agreed framework
- c. Specifically in relation to the wider workforce:
- i. Engage with the workforce to explain how executive remuneration aligns with wider Group pay policy.
  - ii. Review workforce remuneration and related policies and the alignment of incentives and rewards with culture.
  - iii. Take workforce remuneration & related policies into account when setting the policy for directors' remuneration.
  - iv. Take account of wider workforce views on remuneration through the feedback from the Designate INED for Workforce Engagement.
- d. Review and approve control function pay design and the performance assessment of the heads of the control functions and any control function specific scorecards.
- e. Review and approve the framework for the identification of Solvency II Staff and those individuals identified as such.
- f. Review and approve the overall annual salary review budget and the overall funding of incentive schemes, across the Group.

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<sup>4</sup> See the PGH plc Board Matters Reserved at 10.1 – 'All fees paid to non-executive directors are determined by the Chairman and Executive Directors and reported to the Board for noting, ensuring that no director is involved in a decision relating to their own remuneration'

- g. In addition to 9.b.ix, review and approve any new starter contractual payment terms (e.g. bonus/share buy-outs or guaranteed bonuses) for any new employee where the amount exceeds £500,000.
- h. Review and approve any Group wide incentive plans, including retention and recognition schemes.
- i. Review and determine the design of and any major changes to, all share incentive plans (or other equity-based incentive plans requiring shareholder approval), subject to final approval by the Board and shareholders.
- j. Review and approve any material changes to employee pension and benefit arrangements across the Group.
- k. Review and approve the expenses policy applicable for Executive Directors and senior management.
- l. Work with the risk, compliance and HR functions to ensure that:
  - i. The design of remuneration arrangements and the selection / calibration of metrics do not encourage excessive risk taking or short termism; and
  - ii. Both the risk profile and risk events are appropriately taken into consideration in the determination of remuneration outcomes at both the individual and firm-wide level.
- m. Consult and receive advice from the Board's Risk Committee, Audit Committee and control functions, as it considers necessary or appropriate.
- n. Under appropriate and specified circumstances, use the authority to exercise discretion to override any formulaic outcomes and to recover and/or withhold sums of awards.
- o. Be responsible for establishing the selection criteria, and for selecting, appointing and setting the terms of reference for any remuneration consultants appointed to advise the Committee, which should be annually reviewed by the Committee.
- p. Ensure that the frequency of and attendance by members at Committee meetings is monitored.



- q. To review the ongoing appropriateness and relevance of the Group Remuneration Framework and Policy and other associated policies as appropriate on an annual basis.
- r. To review on at least an annual basis the activities of all other remuneration committees within the Group.
- s. Receive assurance from Management annually that the Group operates in accordance with the principles and processes established in the remuneration policies and in compliance with all relevant remuneration regulations, and to review any findings.
- t. Ensure compliance with any statutory and regulatory requirements applicable to the Group (including the relevant Solvency II, PRA and FCA remuneration rules) give due regard to best practice and codes of conduct as may be issued to the industry and markets from time to time, such as the FRC's UK Corporate Governance Code.
- u. Delegate any of its powers to one or more of its members, the Secretary of the Committee or where appropriate executive directors of the Board; and
- v. Consider any other matters as may be requested by the Board and to make available its terms of reference to the Board.

## **10. OTHER MATTERS**

### 10.1 The Committee shall:

- a) engage with the Board Sustainability Committee and Board Risk Committee, as appropriate, to drive a consistent approach to the execution of the sustainability strategy across the Group and to ensure that there are appropriate Sustainability elements included within strategic scorecards, AIPs and consideration for appropriate metrics formulation within the relevant parts of the wider Group remuneration framework.
- b) have access to the services of the Company Secretariat function on all Committee matters, including assisting the Committee Chair in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support;
- c) oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and

- d) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.