

APPENDIX 1

Phoenix Group Holdings plc - External Auditor Policy

1 Policy objective

- 1.1 The objective of this policy is to support compliance with the Group Charter of Statutory Auditor Independence through the provision of minimum standards Phoenix Group Holdings plc and its subsidiaries ("the Group") will follow when dealing with its external auditors, with a view to achieve the following:
- To safeguard and support the integrity, objectivity and independence of the Group's external auditors, by avoiding situations of potential conflicts of interest, both real or perceived.
 - To establish policies and procedures for the independence of external auditors that meet the relevant regulation and legislation, and global best practice including UK auditor independence requirements.
 - To manage fees payable to the external auditor such that non-audit fees, excluding non-audit fees from services required by national legislation, are capped at 70% of the average audit fee over the 3 preceding financial years.
- 1.2 The policy specifically deals with the engagement of external auditors for the provision of external audit services, audit-related services and non-audit services, and the requirements for audit partner rotation.
- 1.3 This policy is applied in respect of the Group's appointed external auditor. In a situation where there is a planned rotation of audit firm, the policy should also be applied to the incoming audit firm elect during the "cooling-in period". The cooling-in period shall be no less than twelve months before the date on which the new audit firm is expected to assume their responsibilities. At the Group Audit Committee's discretion, the cooling in period may be determined to start at an earlier date.

2 Policy owner

- 2.1 The Group owner for this policy is the Group Chief Financial Officer.

3 Scope

- 3.1 This policy applies to the Group and all activities undertaken on behalf of the Group under outsourcing arrangements.

4 Minimum standards

A. External audit service

- i. No firm other than the external auditor can be engaged by the Group to provide external audit services unless support for the proposed engagement, including the proposed terms and fees, has been obtained in advance from the divisional finance director, and the Group Chief Financial Officer, and finally that the proposed engagement is approved by the Board Audit Committee ("the BAC"). Approval will only be provided in exceptional circumstances or where legislation requires it.
- ii. Engagements for the provision of external audit services must be coordinated centrally by Group Finance. The terms of engagement for any external audit

services will be subject to Group Legal and Group Finance sign-off and approval before work commences.

- iii. Audit services provided to investment funds which the Group consolidates in its IFRS financial statements, but which are managed by third parties, are exempt from the requirements in parts i and ii above. Where the Group's appointed auditor is also the appointed auditor of such funds, statutory and non-statutory audit services to the funds are considered pre-approved. The related fees should be reported on an at least annual basis to the BAC.

B. Permitted non-audit services

The Policy follows guidance contained in the, Revised Ethical Standard 2019, published by the Financial Reporting Council ("FRC") which was issued to help strengthen auditor independence and prevent conflicts of interest. This guidance contains a list of permitted non-audit services and includes only those services that are closely related to the audit and/or are required by law or regulation including reporting accountant services. The list of permitted non-audit services is included in Appendix A to this policy and applies to Phoenix Group Holdings plc and its subsidiaries.

The permitted non-audit services must not include any elements of those services included in the prohibited list (see Appendix A) as per Regulation 80 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177).

B1. Audit-related services

Audit related services are a subset of permitted non-audit services that are largely carried out by the same members of the audit engagement team, and where the work involved is closely related to the work performed in the audit, for example the SFCR audit. Due to the nature of the work being so close to the audit there is considered to be insignificant independence threat.

Per the Revised Ethical Standard, audit-related services provided to Phoenix Group Holdings plc and its subsidiaries can only include the following:

- Reporting required by law or regulation to be provided by an auditor;
- Reviews of interim financial information;
- Reporting on regulatory returns;
- Reporting to a regulator on client assets;
- Reporting on government grants;
- Reporting on internal financial controls when required by law or regulation;
- Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.

The following must also be considered in relation to permitted audit-related services:

- i. No firm other than the external auditor can be engaged by the businesses to provide services included on the list of permitted audit-related services unless (a) the service is not required by law to be provided by the external auditor; (b) support for the proposed engagement, including the proposed terms and fees, has been obtained in advance from the divisional finance director and then the

Group Chief Financial Officer; and finally (c) that the proposed engagement is approved by the BAC. Approval will only be provided in exceptional circumstances.

- ii. Permitted audit-related services with expected fees of less than 1% of the statutory audit fee must be approved by the Group Chief Financial Officer prior to the commencement of work. Such services with expected fees in excess of 1% of the statutory audit fee must be approved by both the Group Chief Financial Officer and the Chair of the BAC (or in their absence, one of its members). All approved services must subsequently be reported to the next scheduled meeting of the BAC.
- iii. Audit-related services must be performed in accordance with the UK terms of engagement for audit and audit-related services agreed by Group Finance. Fees for any audit-related services in excess of £50,000 must be reviewed or negotiated by Group Finance.

B2. Non-audit services

The classification of non-audit services for the purposes of this policy includes all permitted non-audit services included in Appendix A, excluding those classified as audit-related services (see section B1).

Notwithstanding the service being a permissible one, consideration must be given to the skills and experience of the audit firm and whether these characteristics make the firm the most suitable supplier, as well as the nature of the work and the potential fee in relation to total audit fee.

- i. Non-audit services include all services provided to the company and its subsidiaries that are not considered external audit services or audit-related services.
- ii. The external auditor must not be engaged to provide prohibited services to the company and its subsidiaries.
- iii. Before engaging the external auditors to provide a permitted non-audit service, businesses must obtain confirmation in advance from the divisional finance director that the proposed service is on the list of permitted non-audit services (included in Appendix A to this policy), is not classified as an audit-related service, and that the divisional finance director supports the proposed engagement. All elements of the proposed service must be included on the list. The proposed engagement must then be forwarded to the Group Chief Financial Officer for approval in advance of giving their confirmation and clearance to proceed with the engagement.

Should anticipated fees for the service exceed 1% of the statutory audit fee, prior to commencement of the work, approval will also be required by the Chair of the BAC (or in their absence, one of its members). Due consideration must be given to any assessed threat to auditor independence and any safeguards they have applied.
- iv. For the avoidance of doubt, the Group's external auditors may be considered, but are not required, to provide these permitted non-audit services. The divisions have discretion to use any service provider. However, if the external auditors are used, the requirements above will apply.
- v. All requests for non-audit services must be reported to the next scheduled BAC meeting.

C. Rotation of audit partners

- i. The Group Chief Financial Officer must ensure that the lead audit partner and independent review partner on the Group external audit have not been engaged in those roles for a period of more than five years, unless this period has been followed by at least five consecutive years not involved in the external audits of the company or its subsidiaries. The lead audit partner and independent review partner on the Group external audit are also subject to point ii below.
- ii. The Group Chief Financial Officer must ensure that other audit partners on the Group external audit have not been engaged on the Group external audit for a period of more than seven years, unless this period has been followed by at least two consecutive years not involved in the Group external audit, or the external audit of a subsidiary that represents more than 20% of the Phoenix Group consolidated assets.
- iii. Division and business finance directors must ensure that the lead partner on the external audit of a division or subsidiary that represents more than 20% of the Phoenix Group consolidated assets has not been engaged on the external audits of the company and its subsidiaries for a period of more than seven years, unless this period has been followed by a minimum period of two consecutive years not involved in the Group external audit, or the external audit of a subsidiary that represents more than 20% of the Phoenix Group consolidated assets.

D. Employment of external auditor employees

- i. The company and its subsidiaries must not employ or promote an individual into a key management position who has worked for 10 or more hours (or was the lead audit partner or independent review partner) on the external audit of the company or its subsidiaries unless:
 - One year has passed since the relevant external audit report was issued (two years for lead audit partner) and filed as required by relevant laws and regulations, and:
 - The individual does not influence the accounting firm's operations or financial policies; and
 - The individual has no capital balances in the accounting firm; and
 - The individual has no financial arrangement with the accounting firm other than one that provides for a regular payment of a fixed amount pursuant to a fully funded retirement plan or similar vehicle.
- ii. The Company and its subsidiaries must not employ any spouse, spouse equivalent, dependent, or close relative of the audit engagement team or other covered person into a financial reporting oversight role.
- iii. The divisions are required to notify and consult with the Group Chief Financial Officer in all instances where partners or employees of the external auditors (or their spouse, spouse equivalent, dependent, or close relatives) are proposed to be employed into any role (not only a key management position) with the Company or its subsidiaries, prior to an offer being made to the individual for employment.
- iv. A key management position is a role which involves the responsibility for fundamental management decisions at Phoenix, including an ability to influence the accounting policies and the preparation of the financial statements and related information (e.g. operating and financial review, management discussion and analysis), which are required to be prepared and submitted under UK listing requirements and other laws and regulations applicable to the Group. This includes members of the board of directors, the Group Chief Executive Officer, Group Chief Financial Officer, General Counsel, Group Internal Audit Director, Group Chief Actuary, Group Chief Risk Officer and Group Financial Controller, or their equivalent. It also includes the equivalent roles at a division or subsidiary, if

as a result such person has an influence of the type described above in relation to aspects of the consolidated financial statements of the Group.

E. Other matters

- i. Arrangements (in relation to external audit, audit-related or non-audit services) that incorporate the payment of contingency fees or commissions to the external auditors must not be entered into by the Company or its subsidiaries.
- ii. The Company, its subsidiaries, directors and officers must not enter into any business relationships with the Group's external auditors or with any member of the audit engagement team or other covered person.
- iii. The Group Chief Financial Officer must be immediately notified by the businesses and divisions on discovery of any proposed or pending litigation with external auditors.

Appendix A

The following are included within this Appendix:

(A) The identified external auditor of the Group

(B) List of permitted non-audit services

(C) List of prohibited services

These lists should be read in conjunction with the Group's external auditor policy.

(A) Identified external auditor of the Group

The external auditor of the Group is identified as being all member firms and affiliates of **Ernst & Young Global Limited**.

The incoming external auditor subject to “cooling-in” provisions is identified as being all member firms and affiliates of **KPMG LLP**.

(B) List of permitted non-audit services

The auditor of a public interest entity will now only be able to provide non-audit services which are closely linked to the audit itself or required by law or regulation. To facilitate this the Revised Ethical Standard 2019 contains a new section 5B “Approach to Non-audit / Additional Services Provided to Public Interest Entities”.

This new section details the types of non-audit services that an auditor of a public interest entity (“PIE”) can provide to that PIE, its UK parent undertaking or its worldwide controlled undertakings. The provision of any such service is also subject to the approval of the BAC after it has properly assessed threats to independence and the safeguards applied in accordance with the FRCs Ethical Standard.

Services required by law or regulation and exempt from the non-audit services cap

- Reporting required by a competent authority or regulator under law or regulation for example;
 - Reporting to a regulator on client assets;
 - In relation to entities regulated under the Financial Services and Markets Act 2000 (FSMA), reports under s166 and s340 of FSMA;
 - Reporting to a regulator on regulatory financial statements;
 - Reporting on a Solvency and Financial Condition Report under Solvency II.
- In the case of a controlled undertaking incorporated and based in a third country, reporting required by law or regulation in that jurisdiction where the auditor is permitted to undertake that engagement;
- Reporting on internal financial controls when required by law or regulation;
- Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports;
- Reports, required by or supplied to competent authorities / regulators supervising the audited entity, where the authority / regulator has either specified the auditor to provide the service or identified to the entity that the auditor would be an appropriate choice for service provider; and
- Services which support the entity in fulfilling an obligation required by UK law or regulation, including listing requirements where: the provision of such services is time critical; the subject matter of the engagement is price sensitive; and an it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor for the audit of the financial statements is relevant to the service, and where the nature of the service would not compromise independence.

Services subject to the non-audit services cap

- Reviews of interim financial information; and providing verification of interim profits not otherwise required by law or regulation;
- Where not otherwise required by law or regulation, non-audit and additional services, as defined in this Ethical Standard provided as auditor of the entity, or as reporting accountant, in relation to information of the audited entity for which it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor is relevant to the service, and where the nature of the service would not compromise independence;
- Extended audit or assurance work that is authorised by those charged with governance performed on financial or performance information and/or financial or

- operational controls, in an entity relevant to an engagement or a third-party service provider, where this work is closely linked with the audit work;
- Additional assurance work or agreed upon procedures, authorised by those charged with governance performed on material included within or referenced from the annual report of an entity relevant to an engagement;
 - Reporting on government grants;
 - Reporting on covenant or loan agreements, which require independent verification, and other reporting to third parties with whom the entity relevant to an engagement has a business relationship in accordance with Appendix C of this Ethical Standard;
 - Services which have been the subject of an application to the Competent Authority in accordance with Regulation 79 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177); and
 - Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.

In relation to transaction support services the following table outlines the services that can be provided by the external auditor after giving due consideration to the above guidelines contained in the revised ethical standard:

Reporting Accountant (Permitted Service – Exempt from non-audit fee cap)

- Historical Financial Information - Public Reporting in a Class 1 circular or prospectus
- Pro Forma – Public Reporting in a Class 1 circular, prospectus, etc
- Profit Forecast – Public Reporting under Takeover Code
- Synergies ('Quantified Financial Benefits Statements') – Public Reporting under Takeover Code
- GAAP reconciliations - Public Reporting in a Class 1 circular

Reporting account (Permitted Service – Subject to non-audit fee cap)

- Synergies – Private Reporting in connection with Class 1 acquisition
- Profit Forecast – Private Reporting in connection with Class 1 or prospectus
- Financial Position & Prospects Procedures ('FPPP')
- Working Capital
- Comfort Letters – incl. SAS 72, ICMA, equity letters

Due Diligence/Long Form Reports, covering Financial and Vendor Due Diligence, are now considered to be prohibited services.

(C) List of prohibited services

Detailed below is the list of prohibited non-audit services that the external auditors of the Group, in accordance with Regulation 80 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177), **must not provide** to the Company and its subsidiaries:

- (a) tax services relating to:
 - (i) preparation of tax forms;
 - (ii) payroll tax;
 - (iii) customs duties;
 - (iv) identification of public subsidies and tax incentives unless required by law;
 - (v) support regarding tax inspections by tax authorities unless required by law;
 - (vi) calculation of direct and indirect tax and deferred tax;
 - (vii) provision of tax advice;
- (b) services that involve playing any part in the management or decision making of the audited entity;
- (c) bookkeeping and preparing accounting records and financial statements;
- (d) payroll services;
- (e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
- (f) valuation services, including valuations performed in connection with actuarial services or litigation support services;
- (g) legal services, with respect to:
 - (i) the provision of general counsel;
 - (ii) negotiating on behalf of the audited entity; and
 - (iii) acting in an advocacy role in the resolution of litigation;
- (h) services related to the audited entity's internal audit function;
- (i) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
- (j) promoting, dealing in, or underwriting shares in the audited entity;
- (k) human resources services, with respect to:
 - (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
 - (ii) structuring the organisation design; and
 - (iii) cost control.

In addition to the above services, our interpretation of the 2019 Revised Ethical Standard is that Due Diligence/Long Form Reports, covering Financial and Vendor Due Diligence, are also considered to be prohibited services.