

**UTMOST LIFE AND PENSIONS LIMITED**  
**Board of Directors Terms of Reference**



## 1. Group Governance Arrangements and Reserved Matters

The ownership structure above Utmost Group plc ("UGP") is made up of two Guernsey incorporated holding companies, of which the controlling entity is Utmost Topco Limited ("Topco"). Utmost Topco Limited is together owned by several funds controlled by Oaktree Capital who hold a majority stake, and the Founders.

The holding companies are regulated by the PRA on an 'Other Methods' basis.

The Guernsey incorporated holding companies are:

- Utmost Topco Limited ("TopCo Board")
- Utmost Holdings (Guernsey) Limited

UGP is the English incorporated holding company into which the results of the Utmost International and Utmost Life and Pensions ("ULP") businesses are consolidated. UGP is subject to Group Supervision by the PRA.

The TopCo Board is the controlling entity of the Group, and shall be responsible for the management of the strategic direction and oversight of the overall conduct of the business of the Group as a whole, including:

- Acquisition, disposals and capital commitments;
- Internal and External financing arrangements;
- Constitutional and share class rights of Utmost Topco Limited, Utmost Holdings (Guernsey) Limited and UGP;
- Director, Auditor and Financial Advisers appointments throughout the Group;
- Winding up or changes to the nature or scope of any of the Group company businesses.

The UGP Board is responsible for promoting the long term success of the Utmost Group and, in particular, for setting the Group's strategic aims, monitoring management's performance against those strategic aims, setting the Group's risk appetite, ensuring the Group is adequately resourced and ensuring that effective controls are in place. The UGP Board also sets the values and supports the culture of the Group.

The specific duties of the UGP Board are clearly set out in the Matters Reserved for the UGP Board and the UGP Board Procedures which address a wide range of corporate governance matters and lists those items that are specifically reserved for decision by the UGP Board.

Matters requiring UGP Board approval include:

- Group strategy and business plans
- Financial reporting and controls, capital structure and dividend policy
- Group risk appetite and framework
- Corporate governance issues (e.g. appointment and removal of directors across the Group, UGP Board and committee succession planning and the constitution of UGP Board committees)

The TopCo and UGP Boards shall be responsible in particular for deciding matters in relation to the business of the Group which constitute Reserved Matters, specifically, those certain matters as set out in:

- Appendix 2 (the "TopCo Board Reserved Matters") shall only be decided upon by the TopCo Board; and
- Appendix 3 (the "UGP Board Reserved Matters") shall only be decided upon by the UGP Board.

The ULP Board shall be responsible for the day-to-day management and conduct of the Company, and to:

- Develop the high-level strategy for the business;
- Periodically review the business plans and performance, ensuring that all regulatory responsibilities are discharged efficiently, the business is open with the regulators and a culture is set that supports prudent management;
- Ensure that the principles of Treating Customers Fairly are embedded into the culture of the business;
- Ensure that the business meets the interests of policyholders, customers and shareholders;
- Approve the risk appetite of the business, monitoring the risk governance framework and ensuring that risk management systems and controls are fit for purpose;
- Determine the appropriate investment parameters for each business;
- Provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed;
- Set the Company's values and standards;
- Ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- Delegate the effective day-to-day management of the Company to the Chief Executive; and
- Review management performance.

## **2. Utmost Life and Pensions Board Reserved Matters**

The following matters must be brought to the ULP Board for decision or referral to the Group:

### **Strategy and Management**

1. Approval of the Company's objectives, short and medium term plans and commercial strategy ("the Business Plan");
2. Approval of annual operating and capital expenditure budgets and any material changes to them;
3. Any proposals to adopt, amend or otherwise alter an Annual Budget or Business Plan or to take any action inconsistent therewith;
4. Oversight of the Company's operations and culture ensuring:
  - competent and prudent management;
  - sound planning;
  - adequate systems of internal control;
  - adequate accounting and other records;
  - compliance with statutory and regulatory obligations;
  - the effectiveness of the Company's operational resilience plans (in line with regulatory requirements); and
  - the FCA Consumer Duty is embedded into the culture of the Company and its subsidiaries to facilitate the delivery of the required outcomes for customers.
5. Review of performance in the light of the Company's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken;
6. Any material changes to the Company's management and control structure;
7. Proposals to extend the activities of the operating entity into new business or geographic areas or any other material change in the nature and scope of the operating subsidiary's business;
8. Any decision to cease (or to threaten to cease) all or any part of the operating entity's business.

### Acquisitions and Disposals of Assets and Businesses

9. Any sale, lease, transfer, license or disposal of any assets, businesses or undertakings (or any interest therein) otherwise than in the ordinary and usual course of trading as envisaged in the operating entity's business plan, whether by a single transaction or by a series of transactions (related or not).
10. The acquisition of any business, or entering into any agreement to acquire any business, whether via a share purchase, a Scheme of Transfer of Assets and Liabilities (or anything similar or analogous to these matters in any other jurisdiction), a reassurance agreement, or otherwise; otherwise than in the ordinary and usual course of trading, and whether by a single transaction or by a series of transactions (related or not)
11. Any sale, lease, transfer, license or disposal of any assets, businesses or undertakings (or interest therein) or the terms of any contracts, in the ordinary and usual course of trading, of the operating subsidiary's available shareholder funds and resources, capital expenditure or shareholder investment decisions with a value in excess of those limits agreed in the operating entity's local delegated authorities.
12. The appointment of any corporate finance or financial adviser to the operating entity or entering into discussions or negotiations with a prospective buyer of the operating subsidiary or any part of its group or its business or making available information to any such prospective buyer;
13. The acquisition or disposal of any freehold or leasehold property, grant or surrender of a lease in respect of such property or taking or omitting to take any action which could prejudice the continuation of any such lease, other than in accordance with the operating entity's Business Plan and/or Annual Budget and other than to the extent these assets are held in policy holder funds;
14. Significant retirement of assets of the operating subsidiary or any of its subsidiaries.

### Capital and Corporate Structure

1. Any reorganisation of the operating entity's corporate structure (or any other major changes to the operating entity or its subsidiaries corporate structures) including the incorporation or liquidation/dissolution of any subsidiary, subsidiary undertaking or branch or effecting any hive-up, hive-down, merger, amalgamation, demerger, corporate reconstruction or reorganisation, except as envisaged in the operating subsidiary's Business Plan, including:
  - a. Giving notice of or proposing any resolution to wind up the operating entity or any of its subsidiaries, filing or making any petition, application or notice for the appointment or intended appointment of an administrator or liquidator or provisional liquidator or inviting any person to appoint an administrative receiver or administrator;
  - b. Making a proposal for a voluntary winding-up of the operating entity or any of its subsidiaries, or obtaining a compromise or arrangement as defined in company law of the relevant jurisdiction, in respect of any subsidiary of the operating entity
2. Approval of the change of domiciliation of the operating entity or any of its subsidiaries;
3. Major investments by the operating entity or any of its subsidiaries in the voting shares of any company or the making of any takeover offer, including shareholder and client linked investments;
4. Any changes relating to the operating entity or any of its subsidiaries' capital structure including reduction of capital, share issues, and share buy backs and approval of dividend payments or distributions; Amending or waiving any provision of the Articles of Association of the operating entity or any of its subsidiaries;
5. Varying the rights attaching to the Shares of the operating entity or any of its subsidiaries; whether by a single transaction or by a series of transactions;
6. Making any increase or reduction or other alteration whatsoever (including by way of redemption, purchase, sub-division, consolidation, redenomination or re-designation) to

the share capital of the operating entity or any of its subsidiaries or granting any option to subscribe for or acquire any of their Shares; or issuing any Shares.

### **Capital Commitments, Agreements and Arrangements**

1. Entering into or making the operating entity or any of its subsidiaries liable for any capital commitment (whether by way of purchase, lease, hire purchase or otherwise) which exceeds the amount included in the operating entity's Business Plan by more than 10%, or which would result in, or in combination with other budgeted or expected capital commitments would result in, the aggregate capital commitments exceeding the aggregate amount included in the Business Plan for that financial year by more than 10%.
2. Forming, entering into, terminating or withdrawing from any partnership, consortium, joint venture or any other incorporated or unincorporated association;
3. Entering into, or increasing or extending any liability under, any guarantee or indemnity other than in the ordinary and usual course of trading, subject to Group policy as communicated and agreed from time to time;
4. Entering into or agreeing to enter into, amending, varying, waiving or breaching any provision of, or failing to enforce or terminating (or giving notice to terminate or commit a material or persistent breach of) any contract to which the operating entity or any of its subsidiaries is a party which is either (i) material or (ii) outside the ordinary and usual course of trading;
5. Entering into any agreement which restricts the operating entity or any of its subsidiaries' freedom to do business;
6. Agreeing investment mandates with respect to the operating entity's shareholder fund assets, following recommendation from the Investment Committee and entering into or agreeing to enter into any investments of shareholder fund assets outside of the investment mandates approved by the Board from time to time.

### **Loans, Borrowing and Financing**

1. Entering into, making, increasing, extending, amending, varying, waiving or intentionally breaching the terms of any finance documents in relation to recourse debt finance and any refinancing of same;
2. Making any loan or advancing or granting any credit to anyone whomsoever or acquiring any indebtedness;
3. Granting, creating or allowing to arise any Encumbrance over any of its assets (other than charges arising by operation of law in the ordinary and in the usual course of trading);
4. Borrowing any monies or incurring any indebtedness or other liability other than (i) on a non-recourse basis in accordance with the relevant Annual Budget, or (ii) non-recourse trade credit in the ordinary and usual course of trading;
5. Factoring or in any other way disposing of or encumbering any of the book debts of the operating entity or any of its subsidiaries, or entering into any invoice-discounting arrangements or other forms of off-balance sheet financing.

### **Financial Management, Reporting and Controls**

1. Approval of any half-yearly report, interim management statements and any announcement of the final results;
2. Approval of the annual report and accounts, including governance-related matters;
3. Approval of the annual and regular regulatory reports;
4. Approval of any changes to ULP's accounting reference date (save as may be necessary to comply with changes in statements of standard accounting practices), accounting policies or practices (other than to standardise the accounting reference date);
5. Monitoring and review of the economic solvency of the operating entity and its subsidiaries;
6. Approval of the dividend policy;
7. Declaration of the interim dividend and recommendation of the final dividend;

8. Determination of the basis to be used for the valuation of liabilities;
9. Declaration of annual and final bonuses;
10. Approval of capital reports and accompanying methodology, assumptions and risk profiles, including the ORSA;
11. Approval of the PPFM;
12. Ensuring that the Chief Actuary and the With Profits Actuary have access to such information as they require to discharge their respective duties and to report to the Board on any investigation into the financial condition of the Company, including the valuation of its liabilities; and
13. Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances).

### **Internal Controls and Risk Management**

1. Ensuring the maintenance of a sound system of internal control and risk management including:
  - o Monitoring and reviewing the risk governance framework;
  - o Overseeing an effective and robust control framework, process and procedures;
  - o Analysing the effectiveness of risk management and internal controls, ensuring their integration into all aspects of decision-making;
  - o Undertaking an annual assessment of risk management and internal control processes; and
  - o Approving an appropriate statement for inclusion in the annual report;
  - o Approving the Company's risk appetite statements;
  - o Ensuring that proper accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company;
  - o Appointing or removing the external auditors – with this to be put to the shareholder for approval, following the recommendation of the Audit Committee, and having sought the consent of the UG and ULPH Boards; and
  - o Ensuring that the Audit Committee conducts an annual review of its effectiveness.
2. Approval of the operating entity's Risk Appetite and material risk management policies and associated limits, on recommendation from the Risk and Compliance Committee.

### **Contracts**

1. Approval of major capital projects and oversight over execution;
2. Contracts which are material strategically or by reason of size, entered into in the ordinary course of business;
3. Contracts of the Company not in the ordinary course of business;

### **Communication**

1. Ensuring a satisfactory dialogue with the shareholder based on the mutual understanding of objectives;
2. Approval of resolutions and corresponding documentation to be put forward to the shareholder at a general meeting; and
3. Approval of press releases concerning matters decided by the Board.

### **Board Membership and Other Appointments**

1. Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee;
2. Ensuring adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience within the Company and on the Board;
3. Selection of the Chairman of the Board, and the Chief Executive and Chief Financial Officer;
4. Appointment of the Senior Independent Director to provide a sounding board for the Chairman and to serve as intermediary for the other directors when necessary;

5. Membership and chairmanship of board committees following recommendations from the Nomination Committee, or amending the remit of any such Committee or disbanding any such Committee or creating a new committee;
6. Appointment or removal of the Company Secretary;
7. Determining the independence of directors and approval of the continuation in office of directors at the end of their term of office;
8. Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the company, subject to the law and their service contract;
9. Appointment, re-appointment or removal (save where they at their own insistence resign or not seek re-appointment) of the external auditor, subsequent to any recommendation of the Audit Committee and subject to shareholder approval.

### **Remuneration**

The issues in this section and the decisions arising are also subject to the approval of the relevant Utmost Group Holding Company.

1. Approval, as relevant, of the remuneration policy for the CEO, CFO and other senior executives;
2. Establishing any bonus, profit sharing, share option or other incentive scheme (whether legally binding or not) for directors and/or employees of the operating entity or any of its subsidiaries or varying any such scheme which has been established or grant any option over or in respect of any Shares pursuant to such a scheme or granting any options over any Shares to any employee of the operating entity or any of its subsidiaries;
3. Appointment or termination of the employment of any employee of the operating entity or any of its subsidiaries, or appointment or termination of the engagement of any other person whose services are or are to be provided to, any member of the Group whose base salary or the payment for whose services is to be or is in excess of £150,000 a year, or variation of the remuneration or other benefits or terms of employment or engagement of any such person;
4. Establishment or variation of the terms of any pension or life insurance scheme except as envisaged in the Company's Business Plan;
5. Approving the remuneration of the Non-Executive Directors, subject to the Articles of Association and shareholder approval, as appropriate or materially altering the terms of appointment of any Director or the Chairman.

### **Delegation of Authority**

1. The allocation of responsibilities between the Chairman, the Chief Executive and the Non-Executive directors, which should be in writing;
2. Approval of the local Delegated Authorities, and/or appointment of Authorised Signatories;
3. Approval of the Board Corporate Standards, this schedule of matters reserved for Board decisions and Terms of Reference of Board Committees;
4. Receiving reports from board committees on their activities.

### **Corporate Governance Matters**

1. Undertaking periodic reviews of its own performance, that of its committees and individual directors;
2. Determining the independence of Non-Executive Directors in light of their character, judgment and relationships;
3. Considering the balance of interests between the shareholder, employees, customers and the community;
4. Reviewing the Company's overall corporate governance arrangements;
5. Receiving reports on the views of the Company's shareholder to ensure that they are communicated to the Board as a whole; and

## **Policies**

1. Approval of local policies and standards, in accordance with the local System of Governance document as approved from time to time.

## **Other**

1. Approval of the appointment of the Company's principal professional advisers;
2. Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism material to the interests of the Company in the ordinary course of business;
3. Material changes to the rules of the Company's pension scheme, or changes of trustee or changes in the fund management arrangements;
4. Any decision likely to have a material impact on the Company or Group from any perspective, including, but not limited to, financial, operational, strategic or reputational;
5. Initiation, discontinuation or settlement of any material litigation or arbitration proceedings other than in the ordinary course of business;
6. The making of any charitable contribution or any other material gift of whatsoever nature in excess of £20,000 per annum. Requests to make political donations of any amount should be referred to the UG Board for consideration;
7. Granting or entering into any licence, agreement or arrangement concerning any part of the name or trading names of any operating entity or any of its subsidiaries the goodwill attaching to the same or any other part of a Group Company's intellectual property other than to another Group Company.

## **3. Membership and Meetings**

The Company's Articles of Association specify the requirements for the appointment of directors and meeting procedures.

The Board has further decided that the quorum for Board and committee meetings shall be two directors (of whom at least one shall be an Independent Non-Executive Director and at least one shall be a Founding Non-Executive Director) and it shall meet at least quarterly and at such other times as the Chairman considers necessary or appropriate. In addition, ad-hoc meetings shall be held whenever it is necessary to discuss any significant or critical aspects concerning the Company's affairs.

If necessary either Founding Non-Executive Director may grant delegated authority to any individual to represent the Founders at a given meeting, should they be absent, to allow it to be quorate.

The Chairman shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and the Secretary shall minute them accordingly.

## **4. Delegation**

The Board delegates authority subject to the limits and terms set out in Appendix 4 (the "Delegated Authority Scheme").

The Board may still determine any matter it wishes within its constitutional meetings.

## **5. Reporting Procedures and Review**

The Secretary shall circulate the minutes of all Board and Committee meetings to all directors in advance of the next set of meetings.