



**TERMS OF REFERENCE OF THE
INVESTMENT COMMITTEE
OF
PHOENIX GROUP HOLDINGS**

Adopted by the Board on 13 May 2011

PHOENIX GROUP HOLDINGS

(the "Company" OR "PGH")

TERMS OF REFERENCE OF THE INVESTMENT COMMITTEE OF THE BOARD OF DIRECTORS

(the "Committee")

1. CONSTITUTION

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

2. ROLE

- 2.1 The role of the Investment Committee is to
- (a) Review the strategic asset allocation of all the assets of the Group.
 - (b) Monitor the performance of all the assets of the Group.
 - (c) Monitor the use of all derivatives, particularly those utilised to hedge risk.
 - (d) Monitor the investment performance of assets managed by Ignis.
 - (e) Monitor the investment strategy and performance of the staff pension funds of Group companies.

3. MEMBERSHIP

- 3.1 The Committee shall comprise not less than three members, all of whom are appointed by the Board from amongst the non-executive directors of the Company. The Committee Chairman shall be appointed by the Board.
- 3.2 Appointments to the Committee shall be for a period of up to three years, which may be extended by two further three-year periods.
- 3.3 The executive directors and other members of management of the Company shall not be members of the Committee.
- 3.4 No person shall be permitted to attend Committee meetings unless he or she is:
- (a) a member or secretary of the Committee;
 - (b) the Group Company Secretary;
 - (c) invited by the Committee Chairman to attend the meeting in question (including but not limited to any expert person(s), representative(s) of the external auditors, the Chairman of the Risk Committee (if not a member of the Investment Committee), the Group Chief Executive Officer, the Group Finance Director, the Group Chief Actuary and the Chairman of the Investment Committee of the Phoenix Life companies); or
 - (d) any Observer that may be appointed by the Lender Shareholders under the terms of the Lenders' Relationship Agreement of 27 June 2009 between Liberty Acquisition Holdings (International) Company and the Lenders (as defined therein) ("the Lenders' Relationship

Agreement”) whilst such Lenders’ Relationship Agreement remains in force.

- 3.5 Appointments to the Committee shall be made by the Board.
- 3.6 Members of the Committee shall be named in the Annual Report and Accounts of the Company.

4. SECRETARY

- 4.1 The Group Company Secretary or his or her nominee shall act as the secretary of the Committee.

5. MEETINGS

- 5.1 The Committee shall meet at least three times a year at appropriate times or more frequently as circumstances require.
- 5.2 Any director of the Company shall have the right, by invitation in accordance with paragraph 3.4(c), to attend and speak but not to vote at any meeting of the Committee.
- 5.3 Unless provided otherwise in these terms of reference, 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. In the absence of the Committee Chairman, the members attending shall elect one of them to be chairman for that meeting. The quorum for meetings of the Committee shall be two non-executive directors (not including the Chairman of the Board).
- 5.4 In accordance with the Articles, a majority of members attending each meeting, of which one shall be the Committee Chairman, must be physically situated outside the UK for the duration of the meeting.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the Company's external or internal auditors if they consider it necessary.
- 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 two working days before the date of the meeting.
- 6.3 The Board may request copies of the papers and minutes of any meeting of this Committee (provided that no conflict of interest with the business of the meeting exists).
- 6.4 Subject to the terms of the Lenders’ Relationship Agreement between the Company and the Lenders (as defined therein) whilst it remains in force, no person other than permitted attendees, members of the Company Secretariat and the Board shall be entitled to receive any papers relating to the Committee unless expressly authorised in writing by the Committee Chairman.

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. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute it accordingly. Draft minutes of Committee meetings shall be circulated to the Chairman within seven days of the meeting.
- 7.2 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8. AUTHORITY

- 8.1 The Committee is authorised by the Board to:
- (a) investigate and undertake any activity within its terms of reference;
 - (b) seek any information that it properly requires from any employee of any member of the Phoenix Group of companies (“the Group”) 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
 - (c) call any employee of the Group 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

- 9.1 The framework for the duties of the Committee takes into account:
- The Risk Committee of the Board considers risk and capital management and assesses the impact of economic and other scenarios on the Group’s assets.
 - The appointment of investment managers and the approval of investment mandates are reserved matters for the Boards of the Phoenix Life Companies (subject to delegation they may make to the Phoenix Life Investment Committee). The investment managers are appointed under Investment Management Agreements authorising them to act in accordance with approved investment mandates, service levels and investment principles. Any recommendations from the PGH Investment Committee may be subject to consideration and approval by the Boards or Investment Committee of the Phoenix Life companies which will consider the individual circumstances of those companies.
 - The duties of the Committee are set in the context of its role of reviewing investment proposals from executive management with a view to making recommendations to the Board and to the Phoenix Life companies.

- The duties of the Committee are set in the context that investment activity is conducted within risk appetite and that where proposals are made outside risk appetite they are supported by appropriate justification and referred to the Risk Committee for review.

9.2 The duties of the Committee shall be to:

- Review the strategic asset allocation of all the assets of the Group (taking into account the risk appetite framework approved by the Board).
- Monitor the performance of all the assets of the Group.
- Receive and monitor management information in relation to the performance of the Group's investments, reviewing the performance of the Group's investment portfolios and third party assets managed by Ignis so as to maximise the value of Ignis.
- Monitor the strategic use of all derivatives including the consideration of proposals from management for hedging risk.
- Consider any material investment over £500m proposed to be made by a member of the Phoenix Group to determine the impact of any such investment on the investment strategy.
- By exception, consider individual investments of the Phoenix Life companies where management believes that such investment exposes the Group to excessive reputational or other risk.
- Monitor the investment strategy and performance of the staff pension funds of Group companies.

10. OTHER MATTERS

10.1 The Committee shall:

- have regard to any relevant advice from the board risk committee concerning capital and risk management;
- remain alert to the possible need for expert advice and support on any investment issue, taking action to ensure that they receive such advice and support as may be necessary to meet their responsibilities effectively;
- have access to the services of the Company Secretariat function on all Committee matters, including assisting the Committee Chairman 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; and
- annually 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.