



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

Adopted by the Board on 10 December 2010
Amended by the Board on 7 November 2011

PHOENIX GROUP HOLDINGS (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 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 Chairman of the Board may be a member (but not chair) of the Committee if he was considered independent on appointment. Any member (other than the Chairman 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. The Committee Chairman shall be appointed by the Board. 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 (not including the Chairman of the Board).
- 3.2 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 Chairman of the Board) the member concerned continues to be independent.
- 3.3 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; or
 - (c) invited by the Committee Chairman to attend the meeting in question (including but not limited to other individuals such as the Chief Executive Officer, the Group Human Resources Director and external advisers).

3.4 Appointments to the Committee shall be made by the Board on the recommendation of the Company's nomination committee (the "Nomination Committee").

3.5 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.

5. MEETINGS

5.1 The Committee shall meet at least twice a year at such times as may be agreed by the members or more frequently as circumstances require.

5.2 Save as provided in paragraphs 5.3 and 5.4, any director of the Company 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 The Chairman of the Board shall not participate at a meeting of the Committee (or during the relevant part) at which any part of his remuneration is being discussed or participate in any recommendation or decision concerning his remuneration.

5.4 No executive director of the Company shall participate at a meeting of the Committee (or during the relevant part) at which any part of his remuneration is being discussed or participate in any recommendation or decision concerning his remuneration.

5.5 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.

5.6 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 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 two working days before the date of the meeting.

6.3 Subject to the terms of the relationship agreement dated 27 June 2009 between the Company and the Lenders (as defined therein), 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 Chairman.

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. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute it accordingly. Minutes of Committee meetings shall be circulated promptly to all members of the Committee.
- 7.2 The Committee Chairman shall formally 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.
- 7.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval (the "Annual Directors' Remuneration Report").
- 7.4 The Committee shall bring to the attention of the Board and/or make appropriate recommendations to the Board concerning those matters that have been considered or reviewed by it at the meeting of the Board next following a meeting of the Committee.
- 7.5 The Committee Chairman 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.

8. AUTHORITY

- 8.1 The Committee is authorised by the Board to:
- (a) investigate and undertake any activity within its terms of reference;
 - (b) provide policy guidance to the UK Remuneration Committee being a committee of the Board of Phoenix Life Holdings Limited;
 - (c) liaise with the Audit Committee in relation to risk adjusted performance targets;
 - (d) 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
 - (e) 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

9.1 The duties of the Committee shall be to:

- (a) determine the Group Remuneration Framework which shall address the framework for all elements of the remuneration of employees including salary, the structure of variable pay including for the avoidance of doubt incentive payments, performance-related payment schemes, and discretionary payments (including profit sharing); pension contributions, and benefits in kind;
- (b) oversee the application of the Group Remuneration Framework to the remuneration and benefits of all employees of the Company and its subsidiaries, including making recommendations to, monitoring the work of and requiring reports from the Remuneration Committee of Phoenix Life Holdings Limited;
- (c) determine and recommend to the Board the design of all share incentive plans (or other equity-based incentive plans requiring shareholder approval) for approval by the Board and shareholders;
- (d) consistent with the Group Remuneration Framework, determine and recommend to the Board the framework for the remuneration (including base salary and the pension consequences of basic salary increases, variable pay, pension contributions, benefits in kind, and share based incentive plans and their equivalents);

of:

- (i) the Chairman of the Board;
- (ii) the Group Chief Executive Officer;
- (iii) the Group Finance Director, and
- (iv) any other executive directors of the Company.

(the "Executive Group") in accordance with the Group Remuneration Framework, the objective of which shall be to ensure that members of the Executive Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contributions to the success of the Group;

- (e) review the ongoing appropriateness and relevance of the Group Remuneration Framework;
- (f) approve the design of, and determine targets for any performance-related pay schemes operated by the Group and approve the total annual payments made under such schemes;
- (g) review the design of all share based incentive plans (or other incentive plans requiring shareholder approval) for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to participants and applicable performance targets for (i) the Executive Group and (ii) for other participants.
- (h) determine the policy for, and scope of, pension arrangements for each member

of the Executive Group;

- (i) in respect of any element of remuneration of the Executive Group which is performance-related, formulate suitable performance-related criteria and monitor their operation;
- (j) review and note annually the remuneration trends (including the budget for salary increases for employees generally) across the Group;
- (k) consider and determine other provisions of the service agreements of the Executive Group (in particular the term, any notice period and any compensation commitment on early termination);
- (l) ensure that any compensation for termination of persons within the Executive Group is fair to both the Company and the individual, that the duty to mitigate is fully recognised and that failure is not rewarded;
- (m) co-ordinate with the Nomination Committee in relation to the remuneration package to be offered to any new member of the Executive Group;
- (n) agree the policy for authorising claims for expenses from the Chairman of the Board and Group Chief Executive Officer;
- (o) have regard in the performance of the duties set out in this paragraph 9, to any published guidelines or recommendations regarding the remuneration of directors of listed companies, the formation and operation of share option and other equity-based incentive schemes, and any guidelines which the Committee considers relevant or appropriate including those published by the Association of British Insurers, the Financial Services Authority and the National Association of Pension Funds;
- (p) ensure that due account is taken of provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, the Financial Reporting Council's UK Corporate Governance Code (the "UK Corporate Governance Code"), the Financial Services Authority's Remuneration Code (the "Remuneration Code") and the ABI Principles of Remuneration and produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report (or another other form of disclosure required);
- (q) consider and make recommendations to the Board concerning disclosure of details of remuneration packages and structures in addition to those required by law and any rules and regulations of any market on which the Company's securities are listed from time to time;
- (r) be aware of and advise on any major changes in employee benefit structures throughout the Group;
- (s) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of engagement for any remuneration consultants who advise the Committee and considering any other connection that they may have with the Company;
- (t) delegate any of its powers to one or more of its members or the secretary of

the Committee; and

- (u) consider any other matters as may be requested by the Board and to make available its terms of reference to the Board.
- 9.2 The Committee shall not be responsible for setting the individual remuneration of employees other than the Executive Group but shall ensure that it receives an annual update to ensure compliance with the Group Remuneration Framework.
- 9.3 The Committee shall at all times give due regard to published or other available information relating to pay, incentives and other benefits of executives in companies which are comparable to the Company. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.
- 9.4 The terms of reference of the Committee do not encompass decisions to employ or dismiss members of the Executive Group. The Committee does not have responsibility for nominations to the Board.
- 9.5 The Committee shall not decide upon the remuneration of the non-executive directors, which shall be decided upon by the Board in accordance with the limits set out in the articles of association of the Company.
- 9.6 No director or manager shall be involved in any decisions as to their own remuneration.
- 9.7 In considering the targets to set, whether payments should be made and the quantum of such payments in relation to performance-related pay schemes, the Committee will normally seek appropriate input from the Chief Risk Officer on a six monthly basis (and audit/compliance where appropriate).

10. OTHER MATTERS

10.1 The Committee shall:

- (a) 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;
- (b) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, Remuneration Code and the rules and regulations of any market on which the Company's securities are listed from time to time;
- (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.