



# TERMS OF REFERENCE

The Royal London Mutual Insurance Society  
Limited  
Board (the “Board”)

<b>Version</b>	1.0
<b>Author</b>	Group Company Secretarial
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# **The Royal London Mutual Insurance Society Limited**

## **Board terms of reference**

### **1 Role**

- 1.1 The Board provides entrepreneurial leadership of The Royal London Mutual Insurance Society Limited (the "Company") and its subsidiaries (the "Group").
- 1.2 The Board strives for high standards of business conduct supported by a framework of prudent and effective risk management.
- 1.3 The Board is responsible for promoting the long-term sustainable success of the Company in a manner that seeks to generate value of the Company whilst taking account of interests and relationships with other stakeholders, the impact on the environment and the Company's relationships with wider society.

### **2 Membership**

- 2.1 The Board comprises a Chairman, Executive Directors (including the Chief Executive and Chief Financial Officer) and Non-Executive Directors. The Independent Non-Executive Directors will exceed in number the Executive Directors and other non-independent Directors.
- 2.2 Only members of the Board have the right to attend Board meetings. Other individuals may be requested by the Chairman to attend all or part of meetings.
- 2.3 Subject to election and annual re-election by members, the Chairman and Non-Executive Directors are appointed for three years. Subject also to satisfactory performance, appointments may be extended for a further three years and exceptionally by an additional three years.
- 2.4 Subject to election and annual re-election by members, Executive Directors are members of the Board for the duration of their employment by the Company.
- 2.5 The Chairman must be independent at the time of appointment.
- 2.6 If the Chairman and the Senior Independent Director are not available to chair a meeting, the remaining Directors present will elect one of themselves to chair the meeting.

### **3 Secretary**

- 3.1 The Company Secretary will be the Board secretary.
- 3.2 The Secretary will be responsible for ensuring that the Board complies with its terms of reference.

### **4 Quorum**

- 4.1 The quorum is two members. Members may attend in person or by telephone or by video conference. A duly convened meeting of the Board at which a quorum is present will be competent to exercise all the authorities, powers and discretions of the Board.
- 4.2 Circulated written resolutions constitute a resolution of the Board.

### **5 Frequency of meetings**

- 5.1 The Board will meet at least six times per annum.

### **6 Notice of meetings**

- 6.1 Board meetings will be convened by the Secretary at the request of the Chairman or Senior Independent Director.
- 6.2 Unless otherwise agreed with the Chairman, notices of meetings confirming the venue (or medium), time and date together with the agenda and supporting papers will be forwarded to each Director no later than five days before the date of the meeting. Relevant papers may be made available to other individuals required to attend.

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### **7 Minutes of meetings**

- 7.1 The Secretary will minute the proceedings and resolutions of meetings, record declarations of interests and those present and in attendance.
- 7.2 Draft minutes will be circulated promptly to the Chairman and subsequently circulated to Directors for approval. Approved minutes will be signed by the Chairman and made available to the Board.

### **8 General meetings and members**

- 8.1 Directors should attend General Meetings of the Company.
- 8.2 All Directors should be available to meet members of the Company on an as needed basis, but primary responsibility will fall to the Chairman, Senior Independent Director and the Executive Directors.

### **9 Principal functions**

- 9.1 The principal functions of the Board are to:
  - 9.1.1 Support a culture that is consistent with the values and ethical and regulatory standards of the Group
  - 9.1.2 Determine the strategy and policies of the Group
  - 9.1.3 Determine the basis on which the Group is managed by reserving duties for the Board and delegating duties to the Board's Committees and to Executive Directors
  - 9.1.4 Review the business performance of the Company and the Group
  - 9.1.5 Determine the nature and extent of significant risks and the appetite for risk acceptance
  - 9.1.6 Ensure judgements and decisions are taken that preserve adequate capital and avoid conduct risks
  - 9.1.7 Generate value of the Company over the medium and long term, taking account of the interests of the Group's stakeholders.

### **10 Delegation and advice**

- 10.1 The Board delegates certain of its powers and responsibilities either to committees through their terms of reference or to Executive Directors (individually or jointly through their job descriptions) or to individuals or committees on an ad hoc basis as recorded in Board minutes.
- 10.2 The Board takes some decisions after having received advice and recommendations from Committees, Executive Directors and others. Some matters are reserved by the Board for its decision and are not delegated.
- 10.3 Notwithstanding any other provision of these terms of reference, the Board can change, at any time, its duties and delegations, and is not obliged to follow recommendations received.
- 10.4 The Board will review at Board meetings decisions delegated to its Committees and annually receive a report from the Company Secretary addressing Committees' compliance with their terms of reference.

### **11 Matters reserved to the Board**

- 11.1 **The Board takes responsibility for:**
  - 11.1.1 The formation of ad hoc committees and their terms of reference
  - 11.1.2 Delegation of decision making to other than Executive Directors

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- 11.1.3 Except where delegated to a Board Committee, the appointment of retained corporate advisors and advisors in connection with matters reserved to the Board
- 11.1.4 The annual evaluation of the Board's performance
- 11.1.5 Approval of notice of resolutions and associated documentation for general meetings
- 11.1.6 Except where delegated to the Disclosure Committee, approval of press and regulatory statements concerning matters decided by the Board
- 11.1.7 Approval of all correspondence made on behalf of the Board
- 11.1.8 The remuneration of Non-Executive Directors
- 11.1.9 Political donations
- 11.1.10 Recommendations to the members in respect of changes in the legal constitution of the Company
- 11.1.11 Any other matter that either the Chairman or Chief Executive considers should be considered by the Board including matters of public interest, and matters that might affect the image or reputation of the Company or Group.
- 11.2 **Having received the advice of the Chief Executive, the Board takes responsibility for:**
  - 11.2.1 Policies and procedures relating to the Group's culture (having defined the purpose and values), regulatory and ethical standards
  - 11.2.2 Group strategy (including brand strategy) and objectives
  - 11.2.3 Presentations to analysts, members and third parties in relation to revisions to strategy
  - 11.2.4 An annual review of the performance of the Group's corporate advisers.
- 11.3 **Having received the advice of the Chief Executive and Chief Financial Officer, the Board takes responsibility for:**
  - 11.3.1 Capital expenditure or realisation or creation of a new venture with a value in excess of £5 million
  - 11.3.2 The medium term plan, the operating budget, the cash-flow budget, the capital expenditure budget and the capital investment budget
  - 11.3.3 Guarantees, indemnities or the granting of security over Group assets in excess of £50 million (if in respect of investment business) or £5 million (if in respect of non-investment business)
  - 11.3.4 Balance sheet investments and underwritings (being the holding of an asset for syndication for up to nine months) in excess of £100 million (in aggregate for related transactions)
  - 11.3.5 Balance sheet investments in a fund or co-investment that results in or could result in the Group holding in excess of 20% of the total value of a particular fund or vehicle
  - 11.3.6 The disposal of an asset not held as part of the investment business that results in a loss of more than £25 million compared to its carrying value
  - 11.3.7 The acquisition of any non-investment asset, including land and buildings, or any contract, including leases, with a total cost in excess of £20 million
  - 11.3.8 Charity contributions to a single charity in excess of £50,000 per annum.

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- 11.4 **Having received the advice of the Chief Financial Officer, the Board takes responsibility for:**
- 11.4.1 First time and major changes to presentations to analysts and members in relation to financial results
  - 11.4.2 New debt facilities or new bonds in excess of £100 million issued by a Group company
  - 11.4.3 New loans in excess of £10 million made by a Group company
  - 11.4.4 All Prospectuses, corporate transactions with a purchase price in excess of £25 million or a loss in excess of £25 million and related party transactions together with related circulars and announcements
  - 11.4.5 The reallocation of capital in the Group in excess of £100 million.
- 11.5 **Having received the advice of the Chief Executive and the Risk and Capital Committee**
- 11.5.1 Extensions, cessations and material reductions in business operations or geographies (having considered the risks of change as considered by the Risk and Capital Committee)
  - 11.5.2 Acquisitions and disposals of subsidiaries, associates, joint ventures and trade investments not in the ordinary course of business (having considered the risks of change as considered by the Risk and Capital Committee).
- 11.6 **Having received the advice of the Nominations and Governance Committee, the Board takes responsibility for:**
- 11.6.1 Significant changes to the Group's governance or management structures
  - 11.6.2 The appointment, removal or suspension of any Director of the Company
  - 11.6.3 The independence of Non-Executive Directors and the acceptance of actual or potential conflicts of interests of Directors
  - 11.6.4 The responses to more than 20% opposition to any resolution proposed by the Directors at a General Meeting
  - 11.6.5 The appointment of any executive to the board of a non-Group company
  - 11.6.6 The appointment, removal or suspension of Chairs and members of the Board's committees and of the Independent Governance Committee
  - 11.6.7 The terms of service or employment contracts of any Director of the Company
  - 11.6.8 Governance arrangements, including the terms of reference of the Board, of any of its Committees and of the Independent Governance Committee.
- 11.7 **Having received the advice of the Audit Committee, the Board takes responsibility for:**
- 11.7.1 The recommendation to members to appoint or reappoint or remove the auditors and the determination of their remuneration
  - 11.7.2 The annual report and accounts having received confirmation that the Audit Committee considers that, taken as a whole, the reporting is fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model, strategy and risk disclosures
  - 11.7.3 The approval of the annual Single Group Solvency and Financial Condition report
  - 11.7.4 Except as delegated to the Disclosure Committee, the preliminary announcement, the half yearly, other interim reports and any other regulatory announcement, circular or prospectus.

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- 11.8 **Having received the advice of the Risk and Capital Committee, the Board takes responsibility for:**
- 11.8.1 The Whistleblowing Report and the Whistleblowing Policy
  - 11.8.2 The Own Risk and Solvency Assessment (the ORSA)
  - 11.8.3 The approval of applications to the PRA for major changes to the internal model (including those arising from an accumulation of minor changes)
  - 11.8.4 Reviewing, at least annually, and being satisfied, subject to any improvement requirements, the systems for ensuring that the internal model operates properly on a continuous basis
  - 11.8.5 Reviewing, at least annually, and being satisfied, subject to any improvement requirements, with the ongoing appropriateness of the design and operations of the internal model and that the model continues to reflect the risk profile of the firm
  - 11.8.6 Approval of the Tier 1 policies set out in the appendix
  - 11.8.7 Compliance with the Solvency II laws, regulations and administrative provisions
  - 11.8.8 The Group's principal, emerging and tail-event/'black swan' risks and how these should impact the execution of the Group's strategy
  - 11.8.9 The Group's risk strategy, risk preferences and risk appetite statements
  - 11.8.10 Executive management's assessment of risks associated with proposed material strategic changes including acquisitions and disposals not in the ordinary course of business, major change programmes, significant changes to the Group's governance arrangements or legal structure and new or material changes to third party and intra-group or outsourcing arrangements
  - 11.8.11 Directors' and Officers' insurance coverage
  - 11.8.12 The prosecution, defence or settlement of litigation or alternative dispute resolution involving an actual or potential liability to costs and sums that are either in excess of £5 million or which are otherwise material to the interests of the Group
  - 11.8.13 Any investments outside of: approved asset classes for investment; delegated limits; policy; or risk appetite.
- 11.9 **Having received the advice of the Remuneration Committee, the Board takes responsibility for:**
- 11.9.1 Remuneration adjustments related to malus and clawback
  - 11.9.2 Recommending to members the Group remuneration policy in respect of the Executive Directors
  - 11.9.3 Actions in connection with a gender pay gap.
- 11.10 **Having received the advice of the With-Profits Committee, the Board takes responsibility for:**
- 11.10.1 Bonus recommendations in with-profits funds, including ProfitShare
  - 11.10.2 The approval of mergers of with-profits funds and transfers into/out of with-profits funds.
- 11.11 **Having received the advice of the Investment Committee, the Board takes responsibility for:**
- 11.11.1 Signing up to the Stewardship Code as an asset owner
  - 11.11.2 Approving changes in limits delegated to the Investment Committee

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- 11.11.3 Approving the Company's voting policy, including limitations of delegations to asset managers
- 11.11.4 Approving any material changes, terminations or appointment of any asset/fund managers or investment service providers. For the purpose of this clause, material is defined as having funds under management greater than £100m or an appointment of an asset manager that has no pre-existing relationship with the Company
- 11.11.5 Approving new asset classes for investment
- 11.11.6 Approving limits for investment in approved asset classes, at individual fund level where appropriate
- 11.11.7 Approving the Group's investment philosophy and strategy, embracing responsible investment.

### **12 Reporting**

- 12.1 The Board will receive reports from Committee Chairs on Committees' activities and responsibilities at Board meetings.
- 12.2 The Board will receive reports from the Chief Executive, Chief Financial Officer and Group Chief Risk Officer on their responsibilities at Board meetings.

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### **Appendix**

#### **Tier 1 Policies**

Internal Model Governance  
Risk Management  
Own Risks and Solvency Assessment ('ORSA')  
Internal Model Change  
Use Test  
Derivatives Risk Management  
Internal Model Validation  
Procurement  
Internal Control  
Market Risk  
Credit Risk  
Liquidity Risk  
Outsourcing and Material Supplier  
Operational Risk  
Insurance Risk



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**Approvals**

<b>Version</b>	<b>Recommended by N&amp;GC</b>	<b>Approved by Board</b>	<b>Posted on website</b>
1	25 June 2020	25 June 2020	18 November 2020