



TERMS OF REFERENCE

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

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| Version | 1.0 |
| Author | Group Company Secretarial |
| Approved on | 25 June 2020 |

The Royal London Mutual Insurance Society Limited

Remuneration Committee terms of reference

1 Role

- 1.1 The role of the Committee is to support the Board of The Royal London Mutual Insurance Society Limited (“the Company”) and its subsidiaries (“the Group”) in determining the Group’s remuneration policy; and the compensation of the Company Chairman, Executive Directors of the Company and Designated Employees (being members of the Group Executive Committee, the Company Secretary, General Counsel, the Chief Risk Officer, the Group Head of Compliance, the Group Audit Director, the Group People Director, Material Risk Takers and those where any remuneration exceeds Remuneration Authorisation Matrix thresholds).

2 Membership

- 2.1 The Committee comprises at least three Directors all of whom are independent Non-Executive Directors or the Company Chairman.
- 2.2 Only members of the Committee and the Company Chairman have the right to attend Committee meetings. Other individuals may be requested by the Committee Chair to attend all or part of meetings.
- 2.3 Appointments to the Committee are made by the Board and will be for a period of up to three years, which, subject to satisfactory performance, may be extended for further periods of up to three-years, provided the Director still meets the criteria for membership of the Committee.
- 2.4 The Board will appoint the Committee Chair who will have a minimum of twelve months experience on a remuneration committee prior to appointment and who will not be the Company Chairman. If the Committee Chair is absent from a meeting, the remaining members present will elect a member of the Committee to chair the meeting.
- 2.5 Membership of the Committee will be reviewed annually by the Company Chairman in consultation with the Committee Chair.

3 Secretary

- 3.1 The Company Secretary or his or her nominee is the Secretary of the Committee.
- 3.2 The Secretary will be responsible for ensuring that the Committee complies with its terms of reference.

4 Quorum

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

5 Frequency of meetings

- 5.1 The Committee will meet at least three times a year.

6 Notice of meetings

- 6.1 Committee meetings will be convened by the Secretary at the request of the Committee Chair or the Company Chairman.
- 6.2 Unless otherwise agreed with the Committee Chair, notices of meetings confirming the venue (or medium), time and date together with the agenda and supporting papers will be forwarded to each member of the Committee and the Company Chairman no later than five working 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 Committee Chair and subsequently be circulated to Committee members for approval and to the Company Chairman. Approved minutes will be signed by the Committee Chair and be made available to the Board.

8 Duties

8.1 Advice to the Board

- 8.1.1 Recommend remuneration adjustments related to malus and clawback
- 8.1.2 Recommend actions in connection with a gender pay gap.

8.2 Advice to the Board having received the advice of the Risk and Capital Committee

- 8.2.1 Recommend the Group Remuneration policy in respect of Executive Directors to be recommended to members that is within Group risk appetite.

8.3 Advice to the Nominations and Governance Committee

- 8.3.1 Recommend changes to the terms of reference of the Committee having conducted annual reviews of the Committee's performance to ensure it is fully discharging its responsibilities.

8.4 Other duties

- 8.4.1 Design the Group's remuneration policy consistent with the Group's values and culture so as to promote the long-term success of the Group
- 8.4.2 Determine the remuneration of the Company Chairman
- 8.4.3 Determine the remuneration-related (including all buy-out and termination) arrangements for Executive Directors and Designated Employees
- 8.4.4 Monitor and adjust the quantity and structure of remuneration for Executive Directors so as to attract, retain and motivate management of the quality required to run the Group successfully whilst avoiding over-compensating
- 8.4.5 Periodically review and approve the following workforce remuneration related policies:
 - 8.4.5.1 Overtime policy
 - 8.4.5.2 Out of hours policy
 - 8.4.5.3 Extra contribution award policy
 - 8.4.5.4 Car policy
- 8.4.6 **Having received the advice of the Company Chairman, Chair of the Risk and Capital Committee, Chair of the Audit Committee and the Chief Executive:**
 - 8.4.6.1 Make proportionate adjustments to Executive Directors' and/or Designated Employees' remuneration for events that have been detrimental to the Group including events that have exceeded the Board's risk appetite
 - 8.4.6.2 Ensure that any payments made on the termination of employment of an Executive Director or Designated Employee are in accordance with contractual terms, are fair to the individual and the Group, ensuring that failure is not rewarded and that the duty to mitigate loss is fully recognised

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- 8.4.6.3 Exercise any discretion under any of the Company's Remuneration schemes except those specifically delegated to the Chief Executive
- 8.4.6.4 Establish the selection criteria, select, appoint and agree the terms of engagement for remuneration consultants who advise the Committee
- 8.4.6.5 Fulfil all duties required of the Remuneration Committee by the rules of remuneration scheme
- 8.4.6.6 At least every three years and as required, review and approve the following policies:
 - 8.4.6.6.1 Directors' expenses
 - 8.4.6.6.2 Employees' expenses
- 8.4.6.7 Compliance with policies overseen by the Committee

8.4.7 Having received the advice of the Chief Executive:

- 8.4.7.1 Determine performance related pay schemes, the related measurements and outcomes (consistent with the Group's strategy, annual budget, medium term plan and capital requirements)
- 8.4.7.2 Determine the remuneration (including pension rights) of Designated Employees (including existing employees who become Designated Employees)
- 8.4.7.3 Determine the maximum aggregate increase in salaries for the year
- 8.4.7.4 Approve all recruitment packages in excess of the Remuneration Authorisation Matrix (to include any buy-outs, annual salary and pro forma bonuses etc)
- 8.4.7.5 Oversee any major changes in employee benefit plans.

9 Reporting

- 9.1 The Committee Chair will update the Board on the Committee's proceedings (noting any approvals and recommendations for approvals) after each meeting.
- 9.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit.
- 9.3 The Committee will produce a report to be included in the Company's Annual Report and Accounts on the Committee's activities. The report will be fair, balanced and understandable and apply best practice reporting.
- 9.4 The Committee Chair should attend the Annual General Meeting to answer members' questions on the Committee's activities.

10 Other matters

- 10.1 As applicable to the Committee's duties, the Committee will ensure compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013, the Corporate Governance Code and the rules of the PRA, FCA and CBI (including the Remuneration Code).
- 10.2 The Committee will have access to sufficient resources to carry out its duties.
- 10.3 The Committee will be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.4 The Committee is authorised to obtain, at the Company's expense, outside legal, human resources, remuneration and other professional advice on any matter within its terms of reference.
- 10.5 The Committee has no authority to determine the remuneration of non-executive directors.

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- 10.6 The Committee will ensure the Group Remuneration Policy in respect of Executive Directors is periodically put to a vote of members in general meeting and the annual report to members is annually put to a vote of members in general meeting.

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Version approvals

| Version | Approved by RC | Approved by Board | Posted on website |
|----------------|-----------------------|--------------------------|--------------------------|
| 1 | 24 June 2020 | 25 June 2020 | 18 November 2020 |
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