



TERMS OF REFERENCE

The Royal London Mutual Insurance Society
Limited – ‘Board Risk Committee
(the ‘BRC’ or ‘Committee’)

Version	4.0
Author	Group Company Secretarial
Approved on	7 February 2018



1. Purpose

- 1.1 The purpose of the Board Risk Committee ('BRC' or 'Committee') is:
 - 1.1.1 To ensure that the interests of the members and customers of The Royal London Mutual Insurance Society Limited ('RLMIS' or the 'Company') are properly protected through the application of effective risk and capital management frameworks for the RLMIS and its subsidiaries (the 'Group'). The Committee must act independently from the executive management of the Group.
 - 1.1.2 To monitor and review the effectiveness of the Company's controls, with the exception of financial controls which are the responsibility of the Audit Committee.
 - 1.1.3 To monitor, review and make recommendations to the RLMIS Board (the 'Board').
- 1.2 The Committee has oversight over all Group companies.
- 1.3 Where there is a perceived overlap of responsibilities between the Audit Committee and the BRC, the respective committee Chairmen will have the discretion to agree the most appropriate committee to fulfil any obligation.

2 Membership

- 2.1 The Committee shall comprise of not less than three independent non-executive directors appointed by the Board on the recommendation of the Nomination Committee in consultation with the Committee Chairman.
- 2.2 At least one member shall be a member of the Audit Committee and at least one member shall be a member of the Remuneration Committee.
- 2.3 The Board shall appoint the Committee Chairman who shall be an independent non-executive director.
- 2.5 The Chairman of the Board must not be a member of the Committee.

3 Quorum

- 3.1 The quorum shall be two members.

3.2 In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4 Attendance at Meetings

4.1 Only Committee members, other Directors and the Group Audit Director have the right to attend Committee meetings. The Group Chief Actuary and the With Profits Actuary shall generally be invited to attend.

4.2 The Board's Secretary, or such person as the Board's Secretary may recommend to the Board, shall be the Secretary of the Committee.

4.3 The Committee may invite external advisers to attend meetings where it considers this to be appropriate.

4.4 At least once a year, the Committee must meet separately with the Group Risk Director, in the absence of management, to discuss the Purpose of the Committee or any other associated matters.

5 Frequency of Meetings

5.1 The Committee must meet at least four times a year.

6 Notice of meetings

6.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of its members.

6.2 Unless otherwise agreed, the meeting agenda and supporting papers shall be sent to Committee members and to other attendees, as appropriate, in advance of the meeting to enable full and proper consideration to be given to the issues.

7 Proceedings

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

7.2 The Committee shall maintain minutes of each meeting which shall be approved by the Committee Chairman as soon as is reasonably practicable from the date of the meeting. Following the Chairman's approval the minutes may be distributed to all members of the Committee unless a conflict of interest exists, and others as may be agreed by the Chairman.

7.3 Members may attend a Committee meeting in person or through the use of video or telephone conference.

8. Support

- 8.1 The Committee has access to the services of Company Secretariat for advice and to assist in the carrying out of its duties.
- 8.2 The Committee is authorised by the Board to investigate, or cause to be investigated, any activity within its terms of reference. In doing so may seek such reasonable information as it requires from relevant employee or directors within the Company or working for and on behalf of the Company, in order to perform its duties and responsibilities
- 8.3 At the expense of the RLMIS, in line with Article 15.3 of the Company's Articles of Association, the Committee shall be able to select, appoint and agree the terms of appointment of any advisers deemed appropriate by the Committee to provide independent advice to the Committee but within any budgetary constraints imposed by the Board, and in consultation with Finance.
- 8.4 The Executive team must keep the Committee properly informed of matters that are relevant to its terms of reference.

9 Responsibilities of the Committee

The Committee is responsible for:

- 9.1 Making recommendations on annual basis on the Group's overall risk strategy, risk appetite and risk preferences to the Board for approval and oversee that the strategy of the Group aligns with it.
- 9.2 Reviewing annually and approving the Group's overall Risk Management System, the Internal Control System (with the exception of Financial Reporting Data and Control Framework which is reviewed by the Audit Committee), and the capital management framework taking into account the recommendations of the Executive.
- 9.3 Overseeing and challenging the design and execution of stress and scenario tests, reverse stress tests and ensuring the adequacy of the Recovery and Resolution Plans within the Group.
- 9.4 Assessing the effectiveness of the system of governance, including the organisational structure, segregation of responsibilities, the adequacy of the risk management system and compliance with prudential regulation.
- 9.5 Monitoring and reviewing the effectiveness of the Company's controls, with the exception of financial controls which are the responsibility of the Audit Committee.
- 9.6 Regularly reviewing and report to the Board on the Group's Risk Management System and governance effectiveness.

- 9.7 Overseeing the management of material breaches of risk and compliance limits and material incidents and the implementation of remedial actions where these have Group-wide implications.
- 9.8 Reviewing annually and approving the Group's risk policies and business control policies and where appropriate and relevant to the responsibilities of the Committee other policies and the creation of new policies. This is in relation to all risks, including the process for identifying and assessing risks and the management of those risks by the Company.
- 9.9 Reviewing the Group's procedures for detecting internal and external fraud and the prevention of bribery and corruption and to receive reports on non-compliance.
- 9.10 Reviewing regular reports from the Group's Money Laundering Reporting Officer and the adequacy and effectiveness of the Group's anti-money laundering and sanctions systems and controls.
- 9.11 Reviewing the procedures for handling allegations from whistle-blowers and the arrangements for employees to raise concerns about financial improprieties, as set out in the Group's Whistle Blowing Procedure.
- 9.12 Reviewing the procedures in place for the proportionate and independent investigation of such allegations and concerns, and that appropriate follow up action is taken, following whistle-blowing investigations.
- 9.13 Approval to risk accept matters which, for example, due to a specific situation, are outside of risk appetite when compared to the agreed statements and metrics. Risk appetite statements and metrics are approved by the Board.
- 9.14 Providing advice to the Board on the Group's risk management, including the oversight of current risk exposures of the Group, by reviewing and recommending to the Board actions on significant risk issues, trends, practices, litigation and loss events that have implications for the Group.
- 9.15 Overseeing and challenging, in respect of material transactions and proposed strategic transactions that are subject to approval by the Board, the due diligence undertaken in relation to risk and the implications for the approved risk appetite and tolerance of the Royal London Group, drawing on independent external advice where appropriate and available, before the Board takes a decision whether to proceed.
- 9.16 Monitoring the availability and use of capital in the Group so as to ensure that it is optimally structured to meet ratings, regulatory and risk benchmarks.
- 9.17 Monitoring the effectiveness of the Group's regulatory and capital management through ongoing review and independent assurance and making recommendations to the RLMIS Board:

- oversight, review and challenge of changes to the Internal Model and recommendation to the Board for approval; and
 - formal review of the annual report on the design and operation of the Internal Model, including the annual validation report.
- 9.18 Ensuring on behalf of the Board that the Internal Model operates properly on a continuous basis by putting in place a robust system of governance relevant to the model including:
- sufficient appropriately skilled and experienced resources to develop, monitor and maintain the model;
 - use of outputs from the model as an integral part of risk based decision making, in accordance with the Use Test Policy;
 - monitoring of ongoing compliance with the requirements for model approval, assessment of material non-compliance, approval of any plans required to restore compliance and communication of any such plans to the Prudential Regulation Authority; and
 - independent review procedures, including internal audit function assurance.
- 9.19 Reviewing, actively steering, challenging and considering the appropriateness of the Solvency Capital Requirement and the ORSA.
- 9.20 Reviewing any proposed changes in mandatory regulations and make recommendations to the Board in response to these.
- 9.21 Overseeing the management of conduct risk to ensure Royal London customers receive the best experience and outcomes.
- 9.22 Providing advice, oversight and challenge to embed and maintain a supportive risk culture throughout the Group.
- 9.23 Approving the Risk and Compliance plans.
- 9.24 Reviewing the Emerging risk framework.
- 9.25 Reviewing the adequacy and quality of the risk and compliance function.
- 9.26 Recommending to the Board the appointment and removal of the Group Risk Director.
- 9.27 Providing qualitative and quantitative advice to the Group's Remuneration Committee on risk weightings to be applied to performance objectives incorporated in the incentive structure for the Group's senior management.

- 9.28 Reviewing the system of governance and risk profile sections of the Regular Supervisory Report and the Solvency and Financial Condition Report and recommending them for inclusion in the final reports.
- 9.26 Reviewing and providing confirmation to the Audit Committee that, to the best of the Committee's belief, the disclosures made in the annual report on the work of the Committee and related sections are fair, balanced and understandable.
- 9.27 Receiving regular reports from material subsidiary risk committees and business risk forums.

10. Reporting Procedures

- 10.1 The Chairman shall report to the Board on its proceedings after each meeting on all significant matters within its duties and responsibilities.
- 10.2 A separate section must be included in the annual report and accounts that describes the work of the Committee in discharging its responsibilities.

11. Annual General Meeting

- 11.1 The Chairman of the Committee, or in their absence a representative of the Committee, should be available at the annual general meeting to reply to questions that may be raised that are relevant to the role and responsibilities of the Committee.

12. Reviewing Effectiveness

- 12.1 The Committee must review annually its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any necessary changes to the Board.

13. Publication of Terms of Reference

- 13.1 The terms of reference of the Committee will be available on the Company's website.