



TERMS OF REFERENCE

The Royal London Mutual Insurance Society
Limited – Remuneration Committee
(the '**Committee**')

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Change Control: to be used when amendments being made

Version No.	Revision Date	Summary of Changes
0.1	28/07/2015	Draft For Review
0.2	15/12/2015	Draft for consideration by Remuneration Committee
1.0	16/12/2015	Approved by the Board
1.1	27/09/2016	Approved by the Board
1.2	7/02/2018	Approved by the Board

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1 SCOPE

- 1.1 The Remuneration Committee (the '**Committee**') responsibilities as set out in this document are in respect of Royal London Mutual Insurance Society Limited and all of its business and subsidiaries. Hereafter, referred to as the Group.

2 MEMBERSHIP

- 2.1 The Committee comprises not less than three independent non-executive directors appointed by the Board from time to time. The chairman of the Board may be a member if he or she was considered independent on appointment. Appointments are made on the recommendation of the Nomination Committee, in consultation with the Chairman of the Committee.
- 2.2 In addition to the remuneration paid to non-executive directors, the Company is entitled to pay further remuneration to members of the Committee to recompense them for the additional responsibilities of membership.

3 CHAIR

- 3.1 The Board shall appoint the Chairman of the Committee, who shall be an independent non-executive director, and determine the period for which he/she is to hold office. 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. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee.

4 SECRETARY

- 4.1 The Company Secretary, or his/her nominee, shall act as Secretary of the Committee unless the Committee determines otherwise.
- 4.2 The Secretary shall minute the proceedings and resolutions of all Committee meetings including the names of those present and in attendance.
- 4.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee, and once agreed, to all non-executive members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.
- 4.4 The Secretary shall prepare and distribute agendas for Committee meetings together with any other papers to be considered in a timely manner to enable full and proper consideration to be given to the issues

5 MEETINGS

- 5.1 The Committee must meet as often as is required and not less than three times a year.

- 5.2 No-one other than the members of the Committee are entitled to be present at the meetings of the Committee – it is for the Committee to decide if non-members should attend. It is expected that the Chairman of the Board (if not a member) and Group Chief Executive will generally be invited to attend. The Group Risk Director will be invited to attend Committee meetings as appropriate to report on the Group's Risk profile and appetite, and to consider the implications of remuneration policies for risk and risk management across the Group. No person may attend when the Committee is discussing, reviewing or approving that person's own remuneration. The Committee may invite external advisers to attend meetings where it considers this to be appropriate. The Committee will take such steps as it deems appropriate to avoid conflicts of interest.
- 5.3 The Board may determine the quorum for meetings of the Committee from time to time. In the absence of any such determination, the quorum will be two.
- 5.4 Sufficient time must be allowed to enable the Committee to undertake as full a discussion as may be required.
- 5.5 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chairman.
- 5.6 Unless it is otherwise impracticable to do so or otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than the Wednesday the week preceding the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.
- 5.7 The Chairman of the Committee shall attend the Company's Annual General Meeting in order to respond to any questions on the Committee's activities.

6 AUTHORITY

The Committee is authorised by the Board (at the Company's expense) to:

- 6.1 Investigate, or cause to be investigated (in consultation with the Group CEO or the Group HR Director, if and as appropriate), any activity within its terms of reference;
- 6.2 Commission or purchase any reports, surveys or information which it deems necessary to fulfill its obligations at the expense of the Company but within any budgetary constraints imposed by the Board.
- 6.3 Obtain external legal or independent professional advice (in consultation with the Group CEO or the Group HR Director, if and as appropriate) from such advisers as the Committee shall select, who may at the invitation of the Committee attend meetings as necessary. The Committee shall be exclusively responsible for appointing such independent advisers and determining their terms of reference.

- 6.4 Meet for dispatch of its business, adjourn and otherwise regulate its meetings as it shall see fit, including approving items of business by the written resolution procedure set out in the Company's Articles of Association.
- 6.5 Delegate to the Chairman, *or such other person or persons as the Committee thinks fit*, authority to make decisions on its behalf on matters which may need attention between Committee meetings, provided that such decisions are notified to the Committee members and ratified at the next scheduled Committee meeting .
- 6.6 The Committee shall have full access to the services of Group People and Corporate Affairs Director in connection with the discharge of its duties.

7 DUTIES

The Committee should exercise independent judgement and be able to demonstrate that its decisions are consistent with a reasonable assessment of the Group's financial situation, future prospects and the corporate strategy, supporting the long-term success of the Group.

The Committee shall:-

- 7.1 Determine the remuneration policy for the Group as a whole and specific remuneration arrangements for Designated Executives (being the Chief Executive, Executive Directors, members of the Group Executive Committee or other key function holders, other staff whose professional activities have a material impact on the Group's risk profile, and any other individuals in roles considered to be Senior Insurance Management Functions) and the Chairman. The remuneration of the Non-Executive Directors shall be a matter for the Chairman and Executive members of the Board of Directors of the Company. No Director or manager shall be involved in any decisions relating to his or her own remuneration.
- 7.2 Monitor and recommend the level and structure of remuneration for "senior management" ("senior management" for this purpose should be determined by the Board but would normally include the first layer of management below board level).
- 7.3 In determining such policy the Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements, pay and conditions elsewhere in the Group and the interests of members and other stakeholders. The objective of the policy shall be to ensure that members of executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions to the success of the Group in a fair and responsible manner, without promoting the undue taking of risk. The remuneration policy shall have regard to the risk appetite of the Group and alignment to the strategic long-term goals of the Group and shall incorporate measures aimed at avoiding conflicts of interest. The remuneration policy shall promote sound and effective risk management and shall not encourage risk-taking that exceeds the risk tolerance limits of the Group. This framework or policy will ensure that remuneration is competitive wherever the

Group operates and at a level which will enable the Group to attract, retain and motivate Designated Executives of the appropriate calibre, but that the Group should avoid paying more than is necessary.

- 7.4 Review regularly the ongoing appropriateness and relevance of the remuneration policy.
- 7.5 Within the terms of the agreed policy, and in consultation with the Chief Executive, Chairman and other external advisers as appropriate, determine the total individual remuneration package of each Designated Executive including where appropriate salary, pension and other benefits and bonuses under any short- and/or long-term incentive plans .
- 7.6 Approve the design of, and determine targets each year for, any performance related pay schemes operated within the Group and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the UK Corporate Governance Code (the '**Code**'). Consideration should also be given to the design and use of safeguards and provisions such as withholding and recovery in relation to all performance related pay to ensure payments reflect required achievements and targets.
- 7.7 Determine, where appropriate with the assistance of external advisers, whether the performance measures for any performance related pay schemes and other cash based incentive plans operated by the Group have been satisfied and the level of payments to be made.
- 7.8 Determine and oversee any short-term and long-term incentive plans offered to Designated Executives including consideration of significant rule changes.
- 7.9 Determine and oversee the policy for and the scope of pension arrangements, service agreements, termination payments and compensation commitments for the Designated Executives having regard to regulatory requirements.
- 7.10 Ensure that contractual terms on termination of any Designated Executives and any payments made, are fair to the individual, and the Group, and that failure is not rewarded and that the duty of directors to mitigate loss is fully recognised.
- 7.11 Notice or contract periods should be set at one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods should reduce to one year or less after the initial period.
- 7.12 In carrying out its duties the Committee shall take into account relevant legal and regulatory requirements and best practice guidance, including the provisions and recommendations of the Code. In addition, where appropriate, be informed by a reasonable assessment of the Group's risk profile and appetite, the financial situation based on input from the Audit Committee Chairman, the Board Risk Committee and the Group Risk Director.

- 7.13 Approve the terms of and any amendments to the service contracts of the Chief Executive and Executive Directors.
- 7.14 Oversee any major changes in employee benefit structures throughout the Group.
- 7.15 Agree the policy for authorising claims for expenses from the Chairman, Chief Executive and Executive Directors.
- 7.16 Consider and make recommendations on any other issues as requested by the Board.
- 7.17 Obtain reliable, up to date information about remuneration in other companies. The Committee shall have full authority to appoint remuneration consultants, to commission or purchase any reports or surveys which it deems necessary to help fulfill its obligations at the expense of the Company but within any budgetary constraints imposed by the Board.
- 7.18 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

8 REPORTING RESPONSIBILITIES

- 8.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 Abide by provisions regarding disclosure of remuneration, including pensions, as set out in the relevant regulations in the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended, and the Code, where possible.
- 8.4 Produce for approval by the Board, an annual report of the Group's remuneration policy and practices which will form part of the Company's Annual Report which will be submitted to the Annual General Meeting for members' approval. Where remuneration consultants are appointed, the Annual report shall identify the consultants and a statement made as to whether they have any other connection with the Group.
- 8.5 Determine any other the voluntary disclosures in the annual report on remuneration of matters required by regulation that are applicable only to listed companies.
- 8.6 Report the frequency of, and attendance by members at, remuneration committee meetings in the annual report and accounts.

9 SERVICES

9.1 The Committee shall have access to sufficient resources in order to carry out its duties, including the services of the Group People and Corporate Affairs Director in connection with:

- assisting the Chairman of the Committee in planning the Committee's work;
- collection and distribution of relevant information; and
- provision of any necessary practical or other support.

10 REVIEWING EFFECTIVENESS

10.1 The Committee shall review annually its terms of reference and recommend any necessary changes to the Board for approval.

10.2 The Committee shall review its own effectiveness and assess whether it is fulfilling its obligations under these Terms of Reference.

10.3 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and an ongoing basis for all members.

10.4 The Committee shall give due consideration to laws and regulations, the provisions of the Code and any other applicable rules as appropriate.

11 AVAILABILITY OF TERMS OF REFERENCE

11.1 The terms of reference of the Committee will be included on the Group's website and will be made available to members on demand.