



TERMS OF REFERENCE

The Royal London Mutual Insurance Society
Limited – With Profits Committee
(the “Committee”)

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1. PURPOSE

- 1.1 The purpose of the Committee is to consider the interests of all policyholders in the Royal London Group (the 'Group') with an entitlement to share in the profits of the Group (with-profits and unit-linked with profits policyholders, together referred to as 'with profits policyholders' for the purposes of this document) and exercise independent judgement in advising the Board of Royal London Mutual Insurance Society Limited (the "Board") on the achievement of fair treatment of those with profits policyholders.
- 1.2 The Committee will pro-actively carry out the regulatory role as specified by the Financial Conduct Authority ('FCA')/Prudential Regulatory Authority ('PRA') rules including providing independent opinion and oversight on matters that affect with-profits policy holders.

2. MEMBERSHIP

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Group Nomination Committee in consultation with both the Chairman of the Committee and the With Profit Actuary ('WPA').
- 2.2 The Committee shall consist of at least five and no more than seven members, the majority of whom shall be independent members. The independent members shall be determined by the Board, prior to appointment, to be independent of the Group's activities, and at least one of them shall be a Fellow of the Institute and Faculty of Actuaries (the Independent Members). For this purpose a director of Royal London will not be deemed independent. All members of the Committee shall have recent relevant experience in the conduct of with profits business and the fair treatment of with profits policyholders.
- 2.3 Independent member appointments to the Committee shall be for a period of up to three years, which may be extended for up to two additional three-year periods.
- 2.4 The Board shall appoint the Chairman of the Committee.
- 2.5 Membership of the Committee will be reviewed annually.

3. QUORUM AND VOTING

- 3.1 A quorum shall be three members of the Committee, two of which shall be Independent Members together with one member who was not independent on appointment.
- 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.
- 3.3 Each member of the Committee shall have one vote, and matters requiring a vote of members shall be approved by a simple majority of those members present to the meeting, or by the unanimous written consent of all the Committee members.

4. ATTENDANCE AT MEETINGS

- 4.1 Only members of the Committee, the WPA and the Secretary have the right to attend Committee meetings. The Board Chairman, Board Directors, Group Chief Executive, Group Finance Director and Group Risk Director shall generally be invited to attend (if they are not Committee members).
- 4.2 The Committee may invite external advisers and other attendees where it considers this to be appropriate.
- 4.3 The Board shall appoint a secretary of the Committee (the “Secretary”). The Secretary shall not be a member of the Committee.

5. FREQUENCY

- 5.1 The Committee will 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 or at the request of the Board or of the WPA.
- 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 Secretary shall ensure that a formal record of Committee proceedings and resolutions is maintained.
- 7.3 The Committee shall maintain minutes of each meeting which shall be approved by the Chairman as soon as 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 to others as agreed by the Chairman.

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.

9. AUTHORITY AND ACCOUNTABILITY

- 9.1 The Committee does not have any delegated accountability from the Board nor does it exercise management responsibility for the with-profits business but does have the delegated authority to undertake the relevant regulatory role as set out in Section 10

below. The Board will remain responsible for making decisions that affect with profits policyholders. The Committee will give its opinion on relevant material matters before they are presented to the Board for approval.

9.2 The Committee is authorised:

- (a) to seek such reasonable information as it requires from relevant employees or directors of the Group in order to perform its duties.
- (b) to request any employee or director of the Group to attend a meeting of the Committee; and
- (c) to obtain, at the expense of the relevant funds, external actuarial, legal or other professional advice on any matter falling within its terms of reference subject to agreeing the fees for such advice with the Finance Director.

9.3 The Committee (via the Chairman and Secretary) will liaise with the Independent Governance Committee on issues of mutual relevance.

10. RESPONSIBILITIES OF THE COMMITTEE

10.1 The Committee will pro-actively carry out the regulatory role as specified in FCA/PRA rules and will provide independent opinion and oversight on material matters that affect with profits policyholders. In particular, emphasis should be given to the Conduct of Business Sourcebook (“COBS”) section 20.5 and to the FCA’s Principles for Business i.e. ‘treating customers fairly’, ‘effective management and control’, ‘communicating with customers’ and ‘managing conflicts of interest’.

10.2 The Committee’s role is to assess, report on and provide clear advice on the matters outlined in COBS 20.5.3R, namely:

- (a) the way each with-profits fund is managed;
- (b) assessing compliance with the Principles and Practices of Financial Management (‘PPFM’) for each with profits fund. The Committee will pro-actively provide this independent oversight and then submit a report to the Board each year stating its opinion on whether or not the Company has complied with its obligations relating to its PPFM and the reasons for that opinion;
- (c) providing oversight and opinion on whether the interests of with profits policyholders, and the respective interests of groups of with profits policyholders, are fairly reflected in the management of the funds and PPFM; this will include considering the treatment of any conflicts of interest that may arise between different groups of with profits policyholders, between with profits policyholders and the Company and between with profits policyholders and the members of the Company; and
- (d) any other matter in which it might reasonably be expected that the Committee should have an involvement.

A specific list of matters for consideration shall be maintained by the Committee to ensure the role above is discharged. At a minimum, this will include those matters outlined in COBS 20.5.3R (2) b attached at Appendix 1.

- 10.3 The Committee will discuss with the WPA any material discretionary actions with regards to with profits funds and will also provide an opinion to the Board on such matters.
- 10.4 The Committee will be given sight of and the opportunity to comment on all material communications and literature provided to with profits policyholders to ensure that it meets the 'clear, fair and not misleading' requirement.
- 10.5 The Committee will monitor and be given the opportunity to comment on whether new and existing with profits products meet the expectations of customers, including monitoring of complaints on at least a bi-annual basis.
- 10.6 Each year, the Committee will review any changes to the PPFM to ensure that the PPFM continues to accurately reflect how the Long Term Business Fund is managed.
- 10.7 The Committee will assist management with the ongoing assessment of the effectiveness of the WPA at least annually and report its view to the Board. It will also advise the Board on the suitability of candidates proposed for appointment as WPA.
- 10.8 The Committee will have regard to the existence and role of the Supervisory Committees established in relation to certain acquired with profits sub-funds.
- 10.9 The Committee will assume similar duties of supervision in respect of the Royal London (CIS) Sub-Fund, as set out in the Scheme of Transfer approved on 9 December 2014.
- 10.10 The Committee will have regard to the respective rights and interests of conventional, unitised and unit-linked with profits policyholders. In particular the Committee will monitor the balance of profit distribution to each class to ensure each class is treated fairly.

11. RESPONSIBILITIES TO THE COMMITTEE

- 11.1 The Group will consult with the Committee, in a timely manner, on all material matters affecting the interests of with profits policyholders such as setting bonus rates, apportioning charges, determining asset shares and any run-off plan or major transactions. For this purpose, a 'major transaction' means a transaction of a scale which the Company would reasonably expect to require a formal opinion from the WPA.
- 11.2 The Company will provide the Committee with the necessary information and resources in order for the Committee to carry out its responsibilities as set out in section 10 above and allow sufficient time to enable it to provide fully considered input..
- 11.3 Significant investment matters will be brought to the attention of the Chairman of the Committee prior to being approved by the Board. Such matters being those that might be considered a significant change to the risk or investment profile of a life fund (e.g. affecting more than 5% of assets under

management or expected to change the capital cover ratio by more than 5% - including hedging strategy), those that are not in line with the PPFM or those where a new or significant potential conflict of interest has been identified. The Chairman will then consider, with advice from the WPA, whether the matter is significant and requires consultation with the Committee prior to an investment decision being taken. All other investment (and hedging) decisions that impact the life funds will be notified to the Committee as part of the quarterly update from the Investment Office.

- 11.4 Where the Board decides to depart in a material way from advice or a recommendation made by the Committee, a full and appropriate record of the reasons shall be provided to the Committee together with sufficient time to consider and respond further if it so desires. Exceptionally, if the Committee is of the view that any confirmed departure from advice/recommendations is sufficiently significant, it may require that the Company notify the FCA.

12. REPORTING PROCEDURES

- 12.1 The Committee Chairman shall report to the Board on the Committee's proceedings after each meeting on all significant matters within its duties and responsibilities.

13. ANNUAL GENERAL MEETING

- 13.1 The Chairman of the Committee (or in his/her absence a representative of the Committee) should be available at the Group's annual general meeting to reply to questions that may be raised that are relevant to the role and responsibilities of the Committee.

14. TERMS OF REFERENCE

- 14.1 The terms of reference will be reviewed at least annually to ensure that they remain fit for purpose.
- 14.2 The terms of reference will be published on the Company's website.

15. REVIEW OF COMMITTEE EFFECTIVENESS

- 15.1 The Committee will review its effectiveness on an annual basis and assess whether it is fulfilling its obligations under these Terms of Reference.

APPENDIX 1

List of matters for consideration (from COBS 20.5.3R (2)(b))

- (i) the identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy;
- (ii) how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
- (iii) if relevant, the relative interests of policyholders with and without valuable guarantees;
- (iv) the firm's with-profits customer communications such as annual policyholder statements and product literature and whether the with-profits committee wishes to make a statement or report to with-profits policyholders in addition to the annual report made by a firm;
- (v) any significant changes to the risk or investment profile of the with-profits fund including the management of material illiquid investments and the firm's obligations in relation to strategic investments;
- (vi) the firm's strategy for future sales supported by the assets of the with-profits fund and its impact on surplus;
- (vii) the impact of any management actions planned or implemented;
- (viii) relevant management information such as customer complaints data (but not necessarily information relating to individual customer complaints);
- (ix) the drafting, review, updating of and compliance with run-off plans, court schemes and similar matters; and
- (x) the costs incurred in operating the with-profits fund.