TERMS OF REFERENCE

The Royal London Mutual Insurance Society Limited

Risk and Capital Committee

(the ‘Committee’)

The Royal London Mutual Insurance Society Limited

Risk and Capital Committee terms of reference

1 Role

1.1 The role of the Committee is to support the board of directors (the 'Board') of The Royal London Mutual Insurance Society Limited (the 'Company') and its subsidiaries (the 'Group') in fostering a strong risk culture through oversight of current and potential future risk exposures and risk strategy, including determination of the Group's risk appetite and tolerance. The Committee also oversees the Group's capital position, including the adequacy of capital management strategies.

2 Membership

2.1 The Committee shall comprise at least three independent Non-Executive Directors of the Company, at least one of whom shall be a member of the Audit Committee and at least one of whom shall be a member of the Remuneration Committee. At least one member shall have recent and relevant risk management experience and at least one member shall have relevant insurance and/or asset management experience.

2.2 The Board shall appoint the Committee Chair. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the Committee meeting.

2.3 Only members of the Committee have the right to attend Committee meetings. Other individuals may be invited by the Committee Chair to attend all or part of meetings.

3 Secretary

3.1 The Company Secretary or their nominee shall act as Secretary of the Committee.

4 Quorum

4.1 The quorum for a Committee meeting shall be two members. Members may attend a meeting of the Committee in person, by phone or by videoconference. The Committee may consider and decide matters by email or by written resolution, which shall be recorded by the Secretary.

5 Frequency of meetings

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

6 Notice of meetings

6.1 Committee meetings shall be called by the Secretary at the request of the Committee Chair or of any member of the Committee.

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, shall be sent to each member of the Committee.

7 Minutes of meetings

7.1 The Secretary shall minute the proceedings and resolutions of meetings, including recording the names of those present and in attendance. Draft minutes of Committee meetings shall be circulated promptly to the Committee Chair and subsequently to the Committee for approval.

8 Duties

8.1 Regulatory oversight

8.1.1 Monitor the Group's compliance with rules and regulations of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), including administrative provisions under UK Solvency II.

8.1.2 Annually review and recommend to the Board for approval the Operational Resilience Self-Assessment.

8.1.3 Annually review and recommend to the Board for approval the Own Risks and Solvency Assessment (ORSA).

8.1.4 Review and recommend to the Board for approval applications to the PRA for major changes to the internal model and for changes to the Internal Model Change Policy.

8.1.5 Review the quarterly internal model change report.

8.1.6 Review (at least annually and wherever necessary) the ongoing appropriateness of the design and operations of the internal model, that the model continues to reflect the risk profile of the firm, and that the systems designed to ensure that the model operates properly do so on a continuous basis.

8.1.7 Review the use of the internal model by reviewing the Annual Validation Report.

8.1.8 Review and approve matching adjustment-related applications to the PRA.

8.1.9 Annually review and approve the Group's Recovery Plan and Resolution Pack, including Solvent Exit Analysis.

8.1.10 Annually review the execution of the Group's financial crime prevention processes, as set out in the Money Laundering Reporting Officer's Report.

8.1.11 Review and recommend to the Board for approval the appointment or dismissal of the Group Chief Risk Officer.

8.1.12 Annually review and recommend to the Board for approval the Whistleblowing Report.

8.2 Risk management, risk appetite and risk strategy

8.2.1 Monitor compliance with the Group's Risk Management System, review the operation of its effectiveness and advise the Board in respect of the Group's management of risks, to ensure that these support alignment with execution of the Group's strategy.

8.2.2 Annually review the suitability of the Group's Risk Appetite Framework, including reviewing and recommending the Group's risk strategy, risk preferences and risk appetite statements to the Board for approval.

8.2.3 Advise the Board in relation to the risks associated with proposed material strategic change programmes, significant changes to the Group's governance arrangements or legal structure, and the formation, acquisition and disposal of subsidiaries, associates, joint ventures and trade investments that are not in the ordinary course of business.

8.2.4 Monitor the Group's procedures to manage non-investment climate-related risks in the short, medium and long term.

8.2.5 Advise the Board on any proposed investments outside of the Group's risk appetite, having taken advice from the Investment Committee.

8.2.6 Regularly review executive management's implementation of rectification plans for any breaches of the Group's risk appetite.

8.2.7 Review and monitor the adequacy and effectiveness of the Group's internal controls required to manage risk (save for the data control framework and internal financial reporting control systems, which are reviewed and monitored by the Audit Committee).

8.2.8 Annually review and approve the remit of the Group Risk and Compliance function, ensuring that it is independent of first line management and has adequate resources and appropriate access to information. Review and approve the Group Risk and Compliance function's annual work programme, as well as any material changes to it.

8.2.9 In relation to Tier 1 Third Party contracts, review the risks related to i) proposed new suppliers or services; and ii) the proposed renewal of contracts where there is a material increase in risk; and annually review the functioning of all Tier 1 Third Party contracts.

8.3 Capital and liquidity

8.3.1 Review and approve the Group's Capital Management Framework, capital risk limits, Capital Management Plan and the Liquidity Management Plan.

8.3.2 Monitor the availability and use of capital in the Group to ensure that it is appropriately managed to maintain Royal London's credit rating and regulatory and risk benchmarks. Review and approve any material capital management actions needed to achieve this.

8.4 Remuneration

8.4.1 Annually review and confirm to the Remuneration Committee that the Group Remuneration Policy does not encourage or incentivise undue risk taking and aligns to the Group's risk appetite, taking into account any risk-related events during the year and assessing whether these were appropriately treated under the policy. At least once every three years, confirm to the Remuneration Committee that the Executive Directors' Remuneration Policy aligns to the Group's risk appetite.

8.4.2 Identify events that have been detrimental to the Group in accordance with malus and clawback provisions, including events that have exceeded the Group's risk appetite, for the Remuneration Committee's consideration in making proportionate adjustments to the remuneration of Executive Directors and Identified Staff.

8.4.3 Conduct an annual review of the Group's list of Material Risk Takers and advise the Remuneration Committee where necessary.

8.5 Audit matters

8.5.1 Review and recommend to the Audit Committee the risk related disclosures of the annual Single Group Solvency and Financial Condition report.

8.5.2 Review and recommend to the Audit Committee statements included in the annual report, half year report, prospectuses and circulars concerning risk management, including all notes to the accounts quantifying and describing risk exposures.

8.5.3 Provide recommendations to Group Internal Audit for internal audit work.

8.6 Policies

8.6.1 Annually review and recommend to the Board for approval the Whistleblowing Policy.

8.6.2 Annually review and approve the Tier 1 policies listed in the appendix.

9 Reporting

9.1 The Committee Chair shall update the Board on the Committee's proceedings after each meeting.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.

10 Other matters

10.1 As applicable to the Committee's duties, the Committee shall comply with applicable laws and regulations, including the UK Corporate Governance Code and the rules of the PRA and FCA.

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, risk and other professional advice on any matter within its terms of reference.

10.5 The Committee shall review its performance against its terms of reference and recommend any changes to its terms of reference to the Board for approval on an annual basis.

10.6 The Committee shall assist the Committee Chair in safeguarding the independence and objectivity and overseeing the performance of the Group Chief Risk Officer and the second line risk function. In doing so, the Committee will ensure that the Group Chief Risk Officer, or their delegate, is a regular attendee at meetings of the Committee and has unmediated access to the Committee Chair, the Chair of the Board, the Board, the external auditor and regulatory authorities, as necessary.

Appendix

Tier 1 Policies

Risk Management Policy
Own Risks and Solvency Assessment (ORSA) Policy
Procurement and Third-Party Management Policy
Market Risk Policy
Liquidity Risk Policy
Insurance Risk Policy
Strategic Risk Policy (major changes only)
Customer Outcomes Policy (major changes only)