Corporate Governance Framework

Approved by the Nominations and Governance Committee on 9 May 2024

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1. INTRODUCTION

This document sets out the corporate governance framework (the “Framework”) of The Royal London Mutual Insurance Society Limited (“RLMIS”) and its subsidiaries (together the “Group” or “Royal London”).

The Framework is approved by the RLMIS Nominations and Governance Committee on behalf of the RLMIS Board (the “Board”) every three years following the external board effectiveness evaluation, although the Committee may amend the Framework in whole or in part at any time.

This Framework sets out:

- The people and functions involved in corporate governance at Royal London.
- How the Board exercises its authority and delegates duties and responsibilities to committees constituted by the Board and individuals performing defined roles.
- An overview of the legal and regulatory requirements and governance standards impacting the people and functions of governance.

The Framework is supported by various corporate governance documents which can be viewed through the links in the document. In addition to those listed in the Framework, the following regulatory and governance documents are also issued and available on the Royal London corporate website:

- Gender Pay Gap Report;
- Women in Finance Charter reports;
- Principles & Practices of Financial Management;
- Regulatory returns and publications;
- RLMIS Stewardship Report;
- RLAM Stewardship Report;
- Our Group Pension Schemes;
- Remuneration Policy Statement;
- Modern Slavery Statement;
- Supplier Code of Conduct.

The Group Company Secretary has overall responsibility for maintaining the Framework and can be contacted via cosec@royallondon.com

2. CONSTITUTION AND CORPORATE STRUCTURE

RLMIS was incorporated as a friendly society in 1861 and reincorporated as a private company limited by guarantee without share capital in 1908 under the Companies Acts 1862 and 1907.

RLMIS's constitution (the principles by which the company should be run) is contained in its Articles of Association (the "Articles"). A copy of the Articles is available on the Royal London corporate website here.

The Articles authorise the Board to manage the business of RLMIS and also permit the Board to delegate any of its duties and responsibilities to committees constituted by the Board and to the chief executive or any executive director. The Articles are reviewed regularly, and any proposed changes are submitted to the RLMIS members for approval at the Annual General Meeting. Following member approval, the Articles were last updated in 2022.

RLMIS has a number of subsidiary companies and a structure chart is maintained and kept up to date.

3. THE GOVERNANCE FRAMEWORK

The Framework is the structure adopted by the Board to comply with the Articles, the UK Corporate Governance Code (as applicable), and governance-related regulatory responsibilities. It delegates the day-to-day management of the Group to the Group Chief Executive Officer whilst reserving to the Board or its committees certain duties and responsibilities.

The Framework comprises:

- ➢ The Board's duties and responsibilities as set out in its terms of reference.
- ➢ The committees constituted by the Board (the "Committees") with duties and responsibilities set out in their respective terms of reference.
- ➢ The following defined roles with duties and responsibilities as set out here;
    - Chairman
    - Group Chief Executive Officer
    - Senior Independent Director
    - Non-Executive Directors
    - Executive Directors

Company Secretary services are provided via a corporate company secretary, but a named individual acts as the Company Secretary for RLMIS. The Company Secretary provides governance support and guidance to the Board members collectively and also individually to those performing defined individual roles in the Framework. The appointment and removal of the Company Secretary is a matter reserved for the Board.

RLMIS is regulated by the Prudential Regulatory Authority and the Financial Conduct Authority and is therefore subject to the Senior Managers and Certification Regime. The written role profiles for defined individual roles include any responsibilities under that regime where that person is performing a Senior Management Function.

The terms of reference of the Board and its Committees and the written profiles of the defined individual roles are approved by the Board.

Governance Framework

Board

The Board oversees the effective delivery of the Matters Reserved to it in its terms of reference and is responsible for promoting the long-term sustainable success of the Group in a manner that seeks to generate value for its members while taking account of the interests of its stakeholders, the impact it has on the environment, and its contribution to the wider society.

The Board sets the Group's strategy and objectives in line with its Purpose and monitors implementation of these by the Group's executive, while overseeing the maintenance of the Group's effective systems of risk management and controls. During 2023, the Board appointed a Deputy Chair, whose role is to provide support and guidance to the Chairman and the Senior Independent Director, and to lead a Board meeting, or meet with key stakeholders, when the Chairman is not available.

Chairman

Leads the Board to ensure it functions effectively, while encouraging open debate, constructive discussion and decision making, and is the Board's principal spokesperson.

Group Chief Executive Officer

Leads the day-to-day management of the Group, within authorities delegated by the Board, to meet its Purpose and to implement the Group's strategy and objectives with an inclusive culture, strong values and in line with ethical and regulatory standards.

Non-executive directors

Participate fully in the Board's decision making and provide advice, support and challenge to the Group Chief Executive Officer and senior management as appropriate.

Senior Independent Director

Supports and acts as a sounding board for the Chairman and is available to act as an intermediary for stakeholders and other directors.

Audit Committee

Supports the Board in overseeing the Group's financial and regulatory reporting, financial controls, and internal and external audit arrangements.

Disclosure Committee

Supports the Board in the announcement and publication of key market and member information, and financial and regulatory information.

Investment Committee

Supports the Board in managing financial investments held as principal in a manner that is consistent with the Company's Investment Philosophy and Beliefs.

Nominations and Governance Committee

Considers and recommends the appointment of members of the Board and committees, as well as certain subsidiary directors and senior executives, and ensures the Group is managed to high standards of corporate governance.

Remuneration Committee

Supports the Board in determining and implementing the Group's Remuneration Policy and the compensation of key senior management.

Risk and Capital Committee

Supports the Board in managing the Group's risk and capital position and in complying with prudential and conduct regulations.

Independent Governance Committee

Acts independently of the Board to assess the ongoing value for money provided by the Group to its Workplace Pension and Investment Pathway customers. The committee operates in accordance with the requirements of the FCA's Conduct of Business Sourcebook, section 19.5.

With-Profits Committee

Advises the Board on matters impacting policyholders with an entitlement to a share in the profits of the Group and on the achievement of fair treatment of those policyholders. The committee operates in accordance with the requirements of the FCA's Conduct of Business Sourcebook, section 20.5.

Group Executive Committee (GEC)

Supports, in accordance with the designated SMCR roles of its members, the Group Chief Executive Officer in the day-to-day management of the Group's business and affairs.

4. DELEGATION OF AUTHORITY IN THE FRAMEWORK

In adopting and approving the Framework, the Board:

1. Reserves for its own consideration those duties and responsibilities and matters reserved set out within its terms of reference.

2. Delegates certain duties and responsibilities to the Committees as set out in their respective terms of reference and to individuals in the Framework with defined role profiles.

3. Delegates the day-to-day affairs of the Group to the Group Chief Executive Officer (who executes that authority with the support of the Group Executive Committee) subject to the matters set out in the terms of reference of the Board and its Committees.

The separation of responsibilities between the Chairman, the Group Chief Executive Officer, the Senior Independent Director and non-executive directors and the matters reserved for the Board and its Committees ensures that no single individual has unfettered decision-making powers.

Subsidiary companies

The boards of the subsidiaries of RLMIS acknowledge and operate within this Framework and respect the duties and responsibilities and matters reserved to the Board and its Committees as set out in the terms of reference of both RLMIS and the subsidiaries. The boards of the subsidiary companies will not conclude their determination of, or execute, any decision made with respect to the matters reserved without them first having been considered by the RLMIS Board or relevant Board Committee, and the RLMIS Board or Board Committee's decision having been communicated to the board of the subsidiary company. The directors of the subsidiary companies retain their obligations to comply with the constitution of the subsidiary and to meet all applicable legal and regulatory requirements. In the event of any difference of view between the board of a subsidiary company and the RLMIS Board or its Committees, any appropriate adjustments should be agreed by the Chairs of both entities and reported to the directors of both entities. RLMIS has directly or indirectly the powers of a sole or majority shareholder to appoint or remove directors of subsidiary companies. In addition, the boards of the subsidiary companies acknowledge the role and responsibilities of the Group Chief Executive Officer ultimately to manage the day-to-day affairs of the Group. Company secretary services are provided to subsidiaries via the corporate secretary.

5. DELEGATION OF AUTHORITY TO THE EXECUTIVE

The Board has generally delegated the day-to-day affairs of the Group to the Group Chief Executive Officer with some delegations to the Group Chief Financial Officer.

The Group Chief Executive Officer in turn has delegated the delivery of certain of those responsibilities to direct reports. Such delegation may be formal and defined in written role profiles and where executives perform a Senior Management Function in accordance with the Senior Managers and Certification Regime, as set out in the RLMIS Management Responsibilities Map (MRM). The MRM is an internally-maintained document, made visible to the regulators. The Group Chief Executive Officer may also delegate the delivery of responsibilities on an ad hoc basis from time to time.

The Group Chief Executive Officer and their direct reports have formed executive committees and other operational structures to assist them in their respective decision making and ensure compliance with the legal and regulatory requirements of the Group. The executive committees have no executive powers or decision-making authority delegated to them.

6. BOARD EFFECTIVENESS

The Board conducts a regular formal and rigorous evaluation of its performance using internal or third-party resources. The evaluation is undertaken internally annually, except where there is an external evaluation which is undertaken at least every three years.

The evaluation also covers the roles and performance of the Committees as well as the role of the Chairman. The Chairman conducts individual annual evaluations with each Director. The process is led by the Chairman and supported by the Company Secretary. The process to review the Chairman's performance is led by the Senior Independent Director. The Board agrees actions in response to the findings of each evaluation, which are implemented during the course of the following year and taken into consideration at the following evaluation. The corporate governance statement in the RLMIS Annual Report and Accounts contains narrative on the evaluation processes and their outcomes.

7. BOARD COMPOSITION

The Board's policy is to appoint and retain non-executive directors who can apply broad knowledge and experience to benefit the Group, while providing independent oversight and constructive challenge to executive management including the executive directors.

To operate effectively the Framework requires that a sufficient number of non-executive directors (of sufficient quality and independence) are appointed to oversee the exercise of authority delegated to the Group Chief Executive Officer and to hold executive management to account.

Accordingly, led by the Chairman, the RLMIS Nominations and Governance Committee is responsible for undertaking succession and appointment planning for directors and other senior executives to ensure an appropriate balance of skills, diversity and experience is maintained, and that membership of the Board is regularly reviewed. As part of the process for the appointment of new directors, the RLMIS Nominations and Governance Committee considers the need for an appropriate mix of skills, diversity, experience, knowledge and independence to fulfil its duties and responsibilities effectively and also that the individual directors have sufficient capacity to fulfil their role.

The Board is committed to an inclusive and diverse culture. The Board Diversity Policy can be reviewed here.

The directors are put forward for re-appointment by the members at each Annual General Meeting.

8. LEGAL AND REGULATORY REQUIREMENTS AND GOVERNANCE STANDARDS

There are various legal and regulatory requirements which apply to RLMIS that are observed by the directors in performing their duties individually and collectively on the Board and its Committees. The Board also undertakes its duties in recognition of regulatory statements of practice and established corporate governance standards.

The key requirements and standards are summarised below.

8.1 Legal Requirements

8.1.1 An overriding duty under the Companies Act 2006

The Companies Act 2006 (the "Act") requires a director to possess the knowledge, skills and experience that may reasonably be expected of a person carrying out the role.

Section 172 of the Act requires a director of RLMIS to act in the way he or she:

> *"considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole"*.

In doing so, section 172 requires directors to have regard (amongst other matters) to the likely consequences of any decision in the long-term, the interests of employees, the need to foster relationships with suppliers, customers and others, the impact of operations on the community and the environment, the desirability of maintaining a reputation for high standards of business conduct and the need to act fairly as between members.

The Board recognises that in making decisions, the long-term success of Royal London is dependent on the way the Group interacts with a large number of stakeholders. RLMIS's most significant stakeholder groups are its members and customers and the financial advisers that support them, colleagues, suppliers and the society and communities in which Royal London operates. Royal London also engages with other stakeholders including pensioners and deferred pensioners, its regulators and government departments including HMRC.

The Board acknowledge that each decision made will not necessarily lead to a positive outcome for all stakeholders. However, through wide-ranging engagement in the context of Royal London's Purpose and strategy the Board aims to ensure a consistent approach to its decision-making and consideration of stakeholders. The RLMIS Annual Report and Accounts contains a s.172 statement made by the Board.

8.1.2 Other duties under the Act and in Common Law

Directors are also required:

a) To act in accordance with the company's constitution and only exercise their powers for the purposes for which they are conferred.

b) To exercise independent judgement.

c) To exercise reasonable care, skill and diligence.

d) To avoid conflicts of interest.

e) Not to accept benefits from third parties (other than where the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest); and

f) To declare interests in proposed transactions or arrangements proposed to be entered into by the company.

8.1.3 Solvency II

The PRA Rulebook sets out the Solvency II rules as applicable in the UK. Under these rules insurers are required to understand the risks inherent in their businesses and to allocate enough capital to cover those risks. The rules also include capital adequacy requirements, risk management standards and requirements regarding insurers' systems of governance. The rules require a documented System of Governance (SoG) to be prepared and maintained which evidences how Royal London meets the requirements. The SoG sets out a high-level description of the elements of the Group's system of governance (including governance arrangements, Board responsibilities, risk management and internal control frameworks) with particular focus on its insurance business. This document is subject to regular review and approval by the relevant executive risk forum, the Pillar 2 Review Committee and the Group Chief Risk Officer. The Board and Committee terms of reference include appropriate matters relating to Solvency II for consideration and approval.

8.2 Regulatory Requirements

8.2.1 Regulators

RLMIS is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. In addition, certain of the RLMIS Subsidiaries are regulated by the FCA, while parts of the Group's business are regulated by the Central Bank of Ireland.

8.2.2 Senior Managers and Certification Regime

RLMIS and certain regulated subsidiaries are subject to the Senior Managers and Certification Regime ("SMCR"). The equivalent Irish regime is SEAR – the Senior Executive Accountability Regime. Any person performing a Senior Management Function ("SMF") must be approved by the PRA and/or the FCA before being permitted to undertake the SMF role and is required to act in accordance with the principles issued by the regulators.

Directors who hold SMF roles are also subject to the FCA and PRA Senior Manager Conduct Rules. As such, they (as well as all colleagues, except those in ancillary roles) are subject to the following individual conduct rules:

- Rule 1: They must act with integrity (PRA and FCA).
- Rule 2: They must act with due skill, care and diligence (PRA and FCA).
- Rule 3: They must be open and cooperative with the FCA, the PRA and other regulators (PRA and FCA).
- Rule 4: They must pay due regard to the interests of customers and treat them fairly (FCA).
- Rule 5: They must observe proper standards of market conduct (FCA).
- Rule 6: They must act to deliver good outcomes for retail customers (FCA).

In addition to the above Conduct Rules, all colleagues in SMF roles and Board members who hold certain specific Senior Management Functions are subject to the following additional FCA and PRA Senior Manager Conduct Rules:

- Taking reasonable steps to ensure that the business of the firm for which they are responsible is controlled effectively (PRA and FCA).
- Taking reasonable steps to ensure that the business of the firm for which they are responsible complies with the relevant requirements and standards of the regulatory system (PRA and FCA).
- Taking reasonable steps to ensure that any delegation of their responsibilities is to an appropriate person and that they oversee the discharge of the delegated responsibility effectively (PRA and FCA).
- Disclosing appropriately any information of which the FCA or PRA would reasonably expect notice (PRA and FCA).
- When exercising their responsibilities, they must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits (PRA).

The application of the above Conduct Rules varies depending on the function performed by the individual and are identified in the individual's role profile.

8.3 Corporate Governance Standards

8.3.1 UK Corporate Governance Code (the "Code")

The Code is published by the Financial Reporting Council and sets out principles that emphasise the value of good corporate governance to long-term sustainable success. It is revised by the FRC on a regular basis. Applying the principles and following the more detailed relevant provisions and associated guidance ensures that RLMIS demonstrates how the governance of Royal London contributes to its long-term sustainable success.

Whilst not required to apply the Code, the Board has decided that RLMIS should adhere to the highest standards of governance and has voluntarily resolved to comply with the relevant principles and provisions otherwise than as explained in the RLMIS Annual Report and Accounts.

8.3.2 PRA Supervisory Statement SS5/16

Governance effectiveness of UK financial services organisations is a key area of focus for both the FCA and the PRA. The PRA supervisory statement SS5/16 identifies those aspects of governance to which the PRA attaches particular importance, and which will be the focus of particular attention of the PRA in the course of its supervision.

1. *Articles of The Royal London Mutual Insurance Society Limited*
2. *Board terms of reference*
3. *Role Profiles*
4. *Audit Committee terms of reference*
5. *Investment Committee terms of reference*
6. *Nominations and Governance Committee terms of reference*
7. *Remuneration Committee terms of reference*
8. *Risk and Capital Committee terms of reference*
9. *With-Profits Committee terms of reference*
10. *Independent Governance Committee terms of reference*
11. *Board Diversity Policy*