

**Liverpool Victoria Friendly Society Limited ("LVFS")**  
Terms of Reference for  
The Remuneration and Nomination Committee ("Committee")

Status/Authority	<p>Sub-committee of the board of LVFS (the "Board").</p> <p>Authority derived from the Board's establishment of the Committee and the approval by the Board of these terms of reference on 25 November 2009.</p>
Membership	3 non-executive directors (NEDs) of LVFS and, only when sitting as the Nominations Committee, the Group Chief Executive Officer ("CEO").
Chairman	One NED as determined by the Board
In attendance	<p><u>Routine</u></p> <ul style="list-style-type: none"> <li>• Group Chief Executive (when sitting as the Remuneration Committee)</li> <li>• Group HR Director</li> </ul> <p><u>Ad hoc as required</u></p> <ul style="list-style-type: none"> <li>• Group Finance Director</li> <li>• Group Risk Director</li> <li>• Head of Legal</li> <li>• External advisers</li> </ul> <p>No person may attend where the Committee is discussing, reviewing or approving any part of that person's remuneration.</p>
Quorum	Two members
Meeting frequency	<p>Three times per annum, and otherwise as required by the Committee chairman.</p> <p>Interim meetings may take place by e-mail.</p>
Minutes	<p>The Secretary shall maintain minutes of meetings of the Committee.</p> <p>Minutes shall be presented to the next meeting of the board of LVFS for information and to the next meeting of the Committee for formal adoption.</p> <p>Where meetings take place by exchange of e-mail, copies of the e-mails shall be signed by the relevant members of the Committee and included in the minute book as the minutes of the e-mail meeting.</p>
Principal Role and Scope of Responsibilities	<p><u>As the Remuneration Committee:</u>  to recommend to the Board:</p> <ul style="list-style-type: none"> <li>• LVFS's policy on staff remuneration generally and executive remuneration in particular (the "Remuneration Policy")</li> </ul> <p>to determine within the scope of the Remuneration Policy:</p> <ul style="list-style-type: none"> <li>• specific remuneration packages for (a) the CEO, (b) those reporting directly to the CEO, (c) any employee whose remuneration is greater than the median of those in category b and (d) such other executives and senior managers as the Committee shall from time to time determine (collectively the "In Scope Executives")</li> </ul>

	<p><u>As the Nomination Committee:</u> Having regard to the Annotated Combined Code for Corporate Governance for Mutual Insurers (the "Code"):</p> <ul style="list-style-type: none"> <li>• to evaluate the composition and structure of the Board;</li> <li>• define the roles and capabilities necessary for Board appointments; and</li> <li>• make recommendations for appointments to the Board for approval by the Board</li> </ul> <p>For the avoidance of doubt, the remuneration of NEDs is outside the Committee's scope.</p>
<p>Specific Responsibilities</p>	<p>Subject always to the Rules of LVFS and having regard to the Code</p> <p>In its capacity as the Remuneration Committee, the Committee shall:</p> <p>A) <b>Determine and / or approve</b> (as applicable) within the scope of the Remuneration Policy:</p> <ol style="list-style-type: none"> <li>1) the specific remuneration packages for the In Scope Executives, including pension rights, bonuses, long term incentive plan awards and any compensation payments for loss of office;</li> <li>2) service contracts for the In Scope Executives, ensuring that consistency is maintained, current best practice is observed and appropriate duty to mitigate loss on termination is included;</li> <li>3) the design and structure of all performance related incentive plans (including bespoke arrangements for employees within the Asset Management business), ensuring appropriately related both to the corporate objectives of LVFS, the performance plans of the individuals and the need to provide effective incentives;</li> <li>4) the targets or benchmarks to be used within incentive plans.</li> </ol> <p>B) <b>Recommend</b> to the Board:</p> <ol style="list-style-type: none"> <li>1) the Remuneration Policy having taken and evaluated appropriate external professional advice to ensure that it meets all regulatory requirements, the Code (where applicable), is consistent with the FSA's desired TCF outcomes and is appropriate to deliver the business strategies adopted by LVFS;</li> <li>2) any actions deemed necessary as a result of the performance of the monitoring function set out in (C) below.</li> </ol> <p>C) <b>Monitor</b> and / or review:</p> <ol style="list-style-type: none"> <li>1) the overall levels of remuneration across the whole LVFS group to ensure that differentials from Board level downwards are not inappropriate;</li> <li>2) the overall levels of remuneration and packages generally for the In Scope Executives to ensure that (a) they remain fair and competitive for motivation and retention purposes and (b) they do not promote</li> </ol>

	<p>the undue taking of risk;</p> <p>3) the report of the Chief Risk Officer on all sales' incentive schemes operated by LVFS;</p> <p>4) these Terms of Reference on (at least) an annual basis to ensure that they continue to be appropriate</p> <p>D) <b>Report:</b></p> <p>1) to the Board on the proceedings of the Committee by circulation of minutes to all members of the Board and by commenting and responding to questions at the next available meeting of the Board;</p> <p>2) to the members of LVFS by submission of an annual Remuneration Report (to include details of policies and remuneration practice) for inclusion in the Annual Report and Accounts.</p> <p>In its capacity as a Nomination Committee, the Committee shall:</p> <p>1) evaluate the balance of skills, knowledge and experience on the Board and, in the light of the evaluation, prepare a description of the role and capabilities required for any particular appointment;</p> <p>2) evaluate, and recommend to the Board, proposed appointments to the Board in the light of recommendations by the Group Chief Executive in respect of appointment of Executive Directors and by the Chairman in respect of appointment of NEDs;</p> <p>3) recommend the succession plan for key Executives Director and Senior Management;</p> <p>4) conduct an annual review of the performance and effectiveness of the Chairman of the Board, having taken soundings from the executive directors, and give feedback as appropriate.</p> <p>Note: the Chairman of the Board will be responsible for conducting a performance review for each NED and giving appropriate feedback.</p>
Authority	<p>As set out in these terms of reference, as amended from time to time.</p> <p>The Committee is empowered to engage the services of external remuneration consultants, lawyers or other professionals as deemed necessary for the discharge of the Committee's responsibilities.</p>
Escalation	To the board of LVFS
Secretary	Group Company Secretary
Version No Effective From Date Withdrawn	<p>2009-11 RemCo</p> <p>25 November 2009</p>
Supersedes Version	<p>2008-07 RemCo</p> <p>In force 29/7/2008 – 25 November 2009</p>