

**Liverpool Victoria Financial Services Limited (“LVFS”)  
Remuneration Committee  
Terms of Reference**

Status and Source of Authority	<p>Sub-committee of the board of directors of LVFS (the <b>Board</b>).</p> <p>Authority is derived from the Board’s establishment of the Remuneration Committee (the <b>Committee</b>) and the approval by the Board of these terms of reference on 28<sup>th</sup> January 2021. These Terms of Reference replace in their entirety those last adopted on 30<sup>th</sup> January 2020.</p>
Main purpose	<p>To meet its obligations to ensure it complies with the provisions set out in the PRA &amp; FCA’s Remuneration rulebooks, LVFS has established the Remuneration Committee to provide clear, transparent and effective governance of remuneration matters, specifically to:</p> <ul style="list-style-type: none"> <li>• Determine and oversee the design and implementation of the Remuneration Policy and associated remuneration practices for LVFS’ Executive Directors and Senior Management in line with all relevant legal, regulatory and governance requirements.</li> <li>• Determine specific remuneration packages for the Company’s Executive Directors and Senior Management.</li> <li>• Oversee the policy, design and governance of variable remuneration schemes across the Group, including sales incentive schemes.</li> <li>• Determine a list of Solvency II (SII) staff employed or contracted by the Group on an annual basis as well their variable pay awards.</li> <li>• Review and have consideration to the wider workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.</li> <li>• Ensure effective engagement with the workforce in relation to remuneration and related policies and practices, ensuring their views are understood and considered as appropriate by the Committee and the Board.</li> </ul>
Membership	<p>Members:</p> <ul style="list-style-type: none"> <li>• Three non-executive directors (NEDs) of LVFS, all of whom shall be independent non-executive directors. The chair of the board may also serve on the Committee as an additional member if they were considered independent on appointment as chair.</li> <li>• The Chair of the Remuneration Committee shall be determined by the Board and must be a NED. The Chair of the Committee should have served on a remuneration committee for at least 12 months prior to being appointed as Chair. The Chair of the Board shall not Chair the Committee.</li> <li>• The Board will approve the members of the Committee on the recommendation of the Corporate Governance and Nomination Committee and in consultation with the Chair of this Committee.</li> </ul>
In attendance	<ul style="list-style-type: none"> <li>• Regular attendees: <ul style="list-style-type: none"> <li>• Chair of the Board</li> <li>• Chief Executive Officer (CEO)</li> <li>• Chief Administrative Officer (CAO)</li> <li>• Head of Reward &amp; Benefits</li> <li>• People Director</li> </ul> </li> <li>• The Committee may also invite such other persons (e.g. Director of Finance, Chief Risk Officer, Audit Committee Chair, Risk Committee</li> </ul>

	<p>Chair and external advisers) to its meetings to observe, report, answer questions or make presentations, as it deems necessary.</p> <ul style="list-style-type: none"> <li>No person may attend where the Committee is discussing, reviewing or approving any part of that person's remuneration.</li> </ul>
Secretary	Company Secretary (or their delegate).
Quorum	Two members.
Meeting frequency	<ul style="list-style-type: none"> <li>Meetings shall be held at least twice per annum.</li> </ul>
Notice of Meetings	<ul style="list-style-type: none"> <li>Meetings may be convened, by the Secretary, at the request of the Committee chair or any of its members.</li> <li>In circumstances where a decision is required to be made in a timely fashion, the interim meeting may take place by email and shall be valid if the email has been circulated to all members of the Committee and the decision is approved by a quorum.</li> <li>The Secretary shall circulate the agenda (including the venue, time and date of the meeting) together with the supporting documentation to the Committee members a reasonable period in advance of each meeting.</li> </ul>
Minutes	<ul style="list-style-type: none"> <li>The Secretary shall minute an accurate record of the proceedings and decisions of the Committee.</li> <li>The draft of the minutes, as approved for issue by the Chair, shall be presented to the next meeting of the Committee for formal adoption.</li> <li>Where meetings take place by exchange of email, copies of the emails shall be included in the minute book as the minutes of the email meeting.</li> </ul>
Conflicts of Interest	<p>The Secretary shall ascertain any conflicts of interest of members of the Committee at the start of each meeting in relation to the matters to be discussed and record accordingly in the minutes.</p> <p>No director should be involved in deciding his or her own remuneration.</p> <p>The Chair may require any such conflicted member to withdraw from the meeting whilst the matter is considered by the Committee.</p>
Decide	<p><u>Remuneration</u></p> <ol style="list-style-type: none"> <li>The Remuneration Policy and practices, ensuring they promote sound and effective risk management and are aligned to the business and risk strategies and the risk profile.</li> <li>The remuneration of the Company's Chair, Executive Directors and Senior Management including the Company Secretary.</li> <li>The service contracts and remuneration packages including benefits such as pension and participation in variable incentive schemes for the CEO and Senior Management (based on the CEO or HR Director's recommendations, or as defined by legislation, for example as required under Solvency II). Including, but not limited to, level of remuneration on joining (including any special payments on joining), base pay arrangements and short-term incentives, pension rights, bonus and long-term incentive plan (LTIP) awards.</li> <li>Any compensation payments for loss of office and any other special arrangements for the CEO and Senior Management. The definition of special arrangements would include any arrangement which exceeds contractual entitlement or an arrangement which is without internal precedent.</li> <li>The pension contribution rates for Executive Directors in the context of the wider workforce.</li> </ol>

	<p>6. The year-end performance ratings and associated remuneration award for members of the Executive Committee..</p> <p><u>Variable Remuneration</u></p> <p>7. The policy, design and governance of all variable remuneration schemes, ensuring they are appropriately aligned to the Company's purpose, strategy and long-term sustainable success including reflecting tolerance of risk and avoidance of conflicts of interest. Remuneration schemes and policies must enable the use of discretion to override formulaic outturns. Independent judgement and discretion may be exercised when authorising remuneration outcomes, taking into account Company and individual performance and wider circumstances.</p> <p>8. The targets or benchmarks to be used within incentive plans, including risk weightings applied to performance objectives for Senior Management.</p> <p><u>Solvency II</u></p> <p>9. The composition of SII staff and their remuneration arrangements, including variable pay awards, ensuring appropriate risk adjustments are considered.</p> <p>10. The Remuneration Policy Statement, ensuring that it is in line with applicable regulations.</p> <p><u>Reporting</u></p> <p>11. The content of the Directors Remuneration Report (including the Annual Report on Remuneration and the Remuneration Policy (covering a maximum three year period)) for inclusion in the Annual Report and Accounts.</p> <p><u>Other</u></p> <p>12. The selection criteria, appointment of and terms of reference for any remuneration consultants who advise the Committee.</p> <p>13. Actions to be taken as a result of review of:</p> <ul style="list-style-type: none"> <li>• The reports of the Chief Risk Officer on all sales' incentive schemes, LTIPs and bonus arrangements;</li> <li>• The level of Member support for the Remuneration Policy Report and the Remuneration Implementation Report, in the context of a target level.</li> </ul>
<p>Recommend to the Board</p>	<p>1. Actions to be taken as a result of review of:</p> <ul style="list-style-type: none"> <li>• The overall levels of remuneration (including annual pay reviews) across the Group to ensure that differentials from Board level downwards are appropriate;</li> <li>• The overall levels of remuneration of other companies, taking into account the differential factors, such as geography, sector, size amongst others;</li> <li>• The overall levels of remuneration and packages generally to ensure that they remain fair and competitive for motivation and retention purposes and that they do not promote the undue taking of risk; and</li> <li>• Statistics of regretted and non regretted leavers and trends in employee engagement.</li> </ul> <p>2. Changes to modus operandi of the Committee resulting from the annual effectiveness review and any changes to its terms of reference.</p>

Oversight	<ol style="list-style-type: none"> <li>1. Any significant projects which have a potential impact on employee remuneration and benefit structures throughout the Group.</li> <li>2. Monitoring and reporting of gender pay gap analysis and any other pay gap or pay ratio disclosures that are required under relevant legislation.</li> <li>3. Consideration of workforce remuneration and related policies and the alignment of incentives/awards with culture when setting the policy for executive remuneration.</li> <li>4. Ensure effective engagement with the workforce in relation to remuneration and related policies and practices, ensuring their views are understood and considered as appropriate by the Committee and the Board.</li> </ol>
Consult (With Profits Committees)	<ol style="list-style-type: none"> <li>1. Right of consultation on any matters that impact the With-Profits Fund.</li> </ol>
Notify (With Profits Committees)	Not applicable.
Delegated Authorities	<p><u>Delegation onwards (for a recommendation back)</u></p> <p>Not applicable.</p> <p><u>Delegation onwards (unconditional)</u></p> <p>Delegated responsibility to the Protection Managing Director and the Sales and Retirement Director for day-to-day operational management and review of payments under the Sales Incentives Scheme.</p>
Escalation	<p><u>To:</u></p> <p>The Board.</p> <p><u>From:</u></p> <p>Not applicable.</p>
Guidance Notes	<ol style="list-style-type: none"> <li>1. Senior Management is defined as the Executive Committee or the first layer of management below the Board including the Company Secretary.</li> <li>2. For the avoidance of doubt, the remuneration of NEDs is outside the Committee's scope, which shall remain a matter for the Chair of the Board and the executive members of the Board.</li> <li>3. The Committee is authorised to obtain independent legal or other professional advice on any matters within the Terms of Reference, at the Company's expense.</li> <li>4. Any external advisor appointed by the Committee must be disclosed in the Remuneration Report.</li> <li>5. Remuneration schemes should: <ul style="list-style-type: none"> <li>• be transparent and promote effective engagement with members and the workforce;</li> <li>• avoid complexity and their rationale and operation should be easy to understand;</li> <li>• ensure reputational and other risks from excessive rewards and behavioural risks that can arise from target-based incentive plans are identified and mitigated. The decision/outcome should be aligned with the risk appetite and risk strategy of the Group;</li> <li>• identify and explain the range of possible values of rewards to individual directors and any other limits or discretions at the time of approving the policy;</li> </ul> </li> </ol>

	<ul style="list-style-type: none"> <li>• be proportionate - the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. The outcomes should not reward poor performance; and</li> <li>• align to the company's culture - incentive schemes should drive behaviours consistent with company purpose, value and strategy.</li> </ul> <ol style="list-style-type: none"> <li>6. When making any decision or recommendation, the Committee will have regard to the FRC's UK Corporate Governance Code, and the remuneration requirements of any relevant legislation, such as Solvency II.</li> <li>7. The Committee must exercise independent judgement, discretion, malus and clawback where necessary when authorising remuneration outcomes.</li> <li>8. The Chairman of the Board will be responsible for conducting a performance review for each NED and giving appropriate feedback, on at least an annual basis.</li> <li>9. The Chair shall attend LVFS's AGM in order to respond to any questions on the Committee's activities or the Remuneration Policy and Directors Remuneration Report.</li> <li>10. The Committee is authorised to investigate, or cause to be investigated any activity within its terms of reference (in consultation with the CEO or HR Director as appropriate).</li> <li>11. When reviewing remuneration packages the Committee will ensure consistency is maintained, current best practice is observed and appropriate duty to mitigate loss on termination is included.</li> </ol> <p><u>Effectiveness</u></p> <ol style="list-style-type: none"> <li>12. To perform his or her role effectively, each Committee member will be provided with the means to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Company's business, operations and risks.</li> <li>13. On an annual basis, the Committee will conduct a review of its effectiveness having regard both to the discharge of its requirements under the terms of reference and the areas of priority set. This should include a review of the adequacy of the Chair, Non-Executive Directors contribution and time commitment and the effectiveness of working relationships with other committees (notably, the Board, Corporate Governance and Nomination Committee and the Risk Committee). The Committee will report accordingly to the Board with any recommendations from the review.</li> <li>14. The Committee will consider every three years, and more frequently if the Chair deems appropriate, whether external assistance with the review should be obtained in order to comply with best practice.</li> <li>15. The Committee will keep its terms of reference under review and will propose to the Board amendments to the Terms of Reference as necessary to ensure that they continue to be appropriate and reflect any issues which arise from the effectiveness review.</li> <li>16. At the end of each meeting, the Committee will briefly consider the effectiveness of the meeting, taking into account the quality of the papers and debate, the sufficiency of time and its appropriate allocation across matters relative to their respective importance.</li> </ol>
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