

Liverpool Victoria Financial Services Limited (“LVFS” or “Company”)

Risk Committee (“Committee” or “BRC”)

Terms of Reference

Status and Source of Authority	<p>Sub-committee of the Board of Directors of LVFS (the Board).</p> <p>Authority is derived from the Board’s establishment of the Committee and the approval by the Board of these Terms of Reference on 28th January 2021.</p> <p>These Terms of Reference replace in their entirety those last adopted on 30th January 2020.</p>
Main purpose	<ol style="list-style-type: none">1. Determine the Company’s risk appetite, tolerance and strategy in order to achieve its long-term strategic objectives.2. Determine and ensure that procedures and robust assessments are in place to monitor and mitigate against the Company’s emerging and principal risks.3. Assist the Board in discharging its risk and capital management responsibilities, focusing on current and forward-looking risk exposure and risk strategy.4. Assist the Board to identify and embed an appropriate risk management culture for the business.5. Monitor the Risk Management Framework and provide assurance to the Board on its effectiveness.
Membership	<ul style="list-style-type: none">• Members:<ul style="list-style-type: none">• At least three members, all of whom shall be independent non-executive directors (NEDs) of LVFS; one of which to be the Chair of the Committee as determined by the Board.• The Committee shall include at least one member of the Audit Committee.• 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. <p>Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.</p>
In attendance	<ul style="list-style-type: none">• Regular attendees:<ul style="list-style-type: none">• Chief Risk Officer (CRO)• Chief Executive Officer (CEO)• Director of Finance (FD)• Internal Auditor Director• The Committee may also invite such other persons to its meetings to observe, report, answer questions or make presentations, as it deems necessary. The WPC/RNPFN With-Profits Committee Chair has the right of attendance at the Risk Committee once a year to discuss risk and capital matters relating to with-profits policyholders.
Secretary	Company Secretary (or his / her delegate).
Quorum	Two members

Meeting frequency	<ul style="list-style-type: none"> Meetings shall be held not fewer than four times a year.
Notice of meetings	<ul style="list-style-type: none"> Meetings may be convened, by the Secretary, at the request of the Committee chair, any of its members, the CRO, the Internal Auditor Director or the external auditor. In circumstances where a decision is required to be made in a timely fashion, the interim meeting may take place by e-mail and shall be valid if the e-mail has been circulated to all members of the Committee and the decision is approved by a quorum. 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.
Minutes	<ul style="list-style-type: none"> The Secretary shall minute an accurate record of the proceedings and decisions of the Committee. 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. Where meetings take place by exchange of e-mail, copies of the e-mails will be included in the minute book as the minutes of the e-mail meeting.
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. The Chair may require any such conflicted member to withdraw from the meeting while the matter is considered by the Committee.</p>
Decide	<p><u>Risk, Compliance and Financial Crime</u></p> <ol style="list-style-type: none"> Risk implications of proposed material business initiatives and strategic initiatives, ensuring the transaction/initiative is within appetite/strategy. Material changes to the Risk Management Framework to ensure continued effective risk and capital management, including risk identification, control, management, monitoring and reporting of risk and regulatory exposures. The design, operation and conclusions drawn from stress testing and scenario analysis (STSA) as proposed by the CRO. The annual Risk Management Plan. Actions arising from the assurance reviews (contained within the Risk Management Plan) with "High Risk adverse findings". Changes in approach to the Risk Management Plan as a result of statutory/ regulatory requirements. The CRO report on risk management/ strategy for inclusion in the Annual Report and Accounts. <p><u>Policies and Limits</u></p> <ol style="list-style-type: none"> The Core Policies and Supporting Policies as defined in the LVFS Core Policy and Supporting Policy Governance Framework. Actions to address any material breaches in any Core and Supporting Policies, ensuring arrangements are in place for implementation/monitoring these actions. Risk limits which are aligned to risk appetite.

	<p><u>Investments/Risk Management (to be considered by BRC on an exception basis)</u></p> <ol style="list-style-type: none"> 11. Changes in derivative positions which increases or reduces the risk, including improving overall portfolio matching, across all funds above ALCO limits. 12. Use of derivatives to manage financial markets and credit counterparty risk. 13. Use of Collateralized Debt Obligations (CDOs), "exotic" options and longer dated (i.e. duration >5 years) Over the Counter (OTC) options. 14. Use of futures and options to reduce equity risks in the with-profits business by more than 5%. <p><u>Staff Pension Scheme</u></p> <ol style="list-style-type: none"> 15. Outside of the Staff Defined Benefit Pension Schemes themselves, decide risk mitigation actions, if outside ALCO IIAP limits, in respect of the Scheme's risks (i.e. how they affect the Group as a whole), ensuring that there is a full assessment of the additional risks (e.g. liquidity risk) introduced by such actions.
<p>Recommend to the Board</p>	<p><u>Risk, Compliance and Financial Crime</u></p> <ol style="list-style-type: none"> 1. Setting and changing risk strategy (including attitude to risk statements) and risk preferences. 2. Risk appetite statements and proposed changes over time. 3. Risk and capital implications of strategic transactions including proposed acquisitions or disposals, ensuring that a due diligence review is undertaken, focusing in particular on risk and the impact on the Group's risk appetite. <p><u>Policies and Limits</u></p> <ol style="list-style-type: none"> 4. The ORSA Policy. <p><u>Own Risk and Solvency Assessment (ORSA)</u></p> <ol style="list-style-type: none"> 5. Scope, format, timing and content of the ORSA report. 6. Actions necessary to ensure LV= can meet regulatory requirements associated with production of ORSAs. <p><u>Financial Reporting</u></p> <ol style="list-style-type: none"> 7. The appropriateness of the Standard Formula used to determine solvency requirements under Solvency II (as considered within the ORSA processes). <p><u>Other</u></p> <ol style="list-style-type: none"> 8. Changes to modus operandi of the Committee resulting from the annual effectiveness review and any changes to its Terms of Reference. <p>To the Corporate Governance and Nomination Committee:</p> <p><u>Nomination</u></p> <ol style="list-style-type: none"> 9. The appointment of the CRO <p>To the Remuneration Committee:</p> <p><u>Remuneration</u></p> <ol style="list-style-type: none"> 10. Input on the remuneration of the CRO and other key risk staff and the extent to which risk and control considerations, including risk adjusted

	<p>performance measures, are incorporated in the incentive structure for senior management.</p>
Oversight	<p>The BRC will oversee the following matters on behalf of the Board and will determine matters to be brought to the attention of subsidiary boards:</p> <p><u>Risk, Compliance and Financial Crime</u></p> <ol style="list-style-type: none"> 1. Profile of all risk exposures, relevant financial risk MI, impact of principal and emerging risks and associated risk mitigation plans, whilst ensuring that the implications of any significant issues, trends, loss events, etc. are understood and are being appropriately managed. 2. Appropriateness/ effectiveness of risk management activity, ensuring that the implications of any significant issues, trends, loss events, etc. are understood and are being appropriately managed. 3. Actions being taken to bring risks within plan, appetite or strategy. 4. The annual risk review of LVFS's business plan (provided by the CRO). 5. Actions being taken to address material breaches of LVFS Core Policies or Supporting Policies. 6. Updates from Management regarding compliance or regulatory matters including Treating Customers Fairly, Conduct Risk and Fair Outcomes for Customers. 7. Review reports from the Director of Regulatory Risk and keep under review the adequacy and effectiveness of the Company's compliance function. 8. Evaluate whether Management is setting the appropriate "risk conscious culture" by demonstrating the right "tone from the top" and communicating the importance of the management of risk. 9. Review regular reports from the MLRO and the adequacy and effectiveness of the Company's anti-money laundering systems and controls. 10. Review regular reports from the Data Protection Officer and the adequacy and effectiveness of LVFS' data protection systems and controls. 11. Review regular reports from the Life Chief Actuary on the Life Underwriting (New Business) Policy and the adequacy of the reinsurance arrangements. 12. Execution of, and any material changes to, the Product Governance Framework. 13. Due regard for risk in respect of product approvals process (in respect of new and material changes to products) and in the execution of the process in respect of product changes/launches. This will also include ongoing oversight of proposition management through the product review process. 14. STSA, including reverse stress testing, recovery & resolution plans. 15. Review regularly, the risk profile (as determined by the Risk Controls Self-Assessment (RCSA) process). <p><u>ORSA Model</u></p> <ol style="list-style-type: none"> 16. Use of the ORSA model and associated risk appetite to support key business decisions. <p><u>Risk Appetite</u></p>

	<p>17. Review the performance against the risk appetite statements and the methodology adopted.</p> <p><u>Investments/Risk Management</u></p> <p>18. ALCO changes in derivative positions to reduce risk, including improving overall portfolio matching, across all funds.</p> <p><u>Other</u></p> <p>19. Ensure the Risk function has adequate independence and is free from Management or other restrictions.</p> <p>20. Regularly consider the effectiveness of the Committee, including the quality of papers, debate and interaction with management and other committees, and annually undertake a review in line with the Board and the Corporate Governance Code.</p>
Consult (With Profits Committees)	<p>The Committee will consult with the With Profits Committees (WPCs) on the following matters that impact the with-profits funds:</p> <p>1. Changes in derivative positions which increases or reduces the risk, including improving overall portfolio matching, across the with-profits funds above ALCO limits.</p> <p><u>Note:</u></p> <p>Should the Committee depart from any subsequent recommendation of either WPC, it must set out why and feedback to the WPC to allow the WPC time to reflect and respond. The Committee must consider any further feedback from the WPC and respond with any additional reasons, should it continue to depart from the WPC recommendation and must bring the matter to the attention of the Board of LVFS.</p> <p>In any exceptional instance where the Board of LVFS continues to depart from a recommendation from the WPC, for which the WPC considers it to be sufficiently material, the WPC has the right to insist that the Board of LVFS notify the appropriate Regulator.</p>
Notify (With Profits Committees)	<p>The Committee will notify the With Profits Committees on:</p> <p>1. Actions to address material breaches in any Core Policies or Supporting Policies which impact the with-profits funds.</p>
Delegated Authorities	<p><u>Delegation onwards (for a recommendation back)</u></p> <p>Not applicable.</p> <p><u>Delegation onwards (unconditional)</u></p> <p>Not applicable.</p>
Escalation	<p><u>To:</u></p> <p>The Board</p> <p><u>From:</u></p> <p>Chief Risk Officer</p>
Guidance Notes	<p><u>Risk, Compliance and Financial Crime</u></p> <p>1. Changes to the risk organisational structure and framework should consider the remit of the risk management function (GRM) and ensure it has adequate resources and appropriate information to allow it to perform its duties effectively. Where the Committee approves changes to the Risk Management Framework and this results in changes being</p>

made to documents which confirm these arrangements, the CRO is authorised to make changes to these documents without further Committee approval.

Other

2. Work closely with the Audit Committee, in particular to provide the necessary assurance regarding the internal financial control and risk management systems to discharge the Audit Committee's financial reporting and internal control responsibilities.
3. Work closely with the Investment Committee to ensure a co-ordinated approach is taken to the management of financial markets and liquidity risk.
4. The Board authorises the Committee, within the scope of its responsibilities, to have unrestricted access to members of management, employees and relevant information.
5. LVFS Subsidiaries will seek to take account of the work of the Committee to the extent that the latter considers matters relevant to these subsidiaries.
6. Where making a decision or recommendation, the Committee shall consider each of the following points (and, where not applicable, specifically note in the minutes as such):
 - a. The material risks impacted by the decision / recommendation;
 - b. The alignment of the decision / recommendation with the risk appetite and risk strategy of the Group;
 - c. The impact of the decision / recommendation upon the current and future solvency of the Group and any other subsidiaries of LVFS affected;
 - d. The impact of the decision / recommendation in terms of risk-adjusted performance;
 - e. Clear reasons for any decisions / recommendations contrary to that implied by the ORSA Model results;
 - f. The effect that variations in key assumptions would have upon the risk, solvency and performance impacts of the proposal.

External Reporting

7. The board should confirm in the annual report that it has completed an assessment of the procedures and controls to manage risk and identified the principal risks, which the Company is willing to take in order to achieve its long-term strategic objectives.
8. The report should confirm that a robust assessment of the emerging and principal risks has been considered, and an explanation of how these risks were managed or mitigated.
9. An annual review of the effectiveness of the risk management systems should be carried out and reported in the Annual Report.

Effectiveness

10. 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 of the Committee, Non-Executive Director's contribution and time commitment and the effectiveness of working relationships with other committees (notably,

	<p>the Board, Audit Committee, Investment Committee, ALCO and the With Profits Committees). The Committee will report accordingly to the Board with any recommendations from the review.</p> <p>11. 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.</p> <p>12. 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.</p> <p>13. 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.</p>
<p>Version</p> <p>Effective From</p> <p>Supersedes Version</p> <p>Effective From - To</p>	<p>2020-11-17 Risk Committee</p> <p>28-01-2021</p> <p>2019-11-27 Risk Committee</p> <p>30th January 2020 – 27th January 2021</p>