

**Liverpool Victoria Financial Services Limited**  
**("The Company" or "LVFS")**  
**Board**  
**Terms of Reference**

Status and Source of Authority	<p>Statutory board of the Company (Board).</p> <p>Authority derived from legislation and the Company's Memorandum and Articles of Association.</p> <p>Terms of Reference approved by the Board on 28<sup>th</sup> March 2022.</p>
Main purpose	<p>To oversee the business of the Company and to exercise all of its powers, including stewardship of its subsidiaries (collectively the "Group").</p> <p>The Board:</p> <ul style="list-style-type: none"> <li>• Must promote the long-term sustainable success of the Company, generating value for shareholders, stakeholders and contributing to the wider society;</li> <li>• Is responsible for establishing the Company's purpose, values and strategy and must satisfy itself that these and its culture and governance arrangements are aligned;</li> <li>• Should establish a framework for prudent and effective controls, which enable risks to be assessed and managed;</li> <li>• Must ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them; and</li> <li>• Must make all decisions which are not part of the day to day management of the Company.</li> </ul>
Membership	<ul style="list-style-type: none"> <li>• The Board shall consist of not less than 5 directors. At least half the Board, excluding the chair, should be non-executive directors whom the board considers to be independent.</li> <li>• The Board approves changes to its membership and may include Non-Executive and Executive Directors. Such changes are subject to the approval of the Company's members at the following annual general meeting (AGM).</li> </ul>
In attendance	<p>The Board may also invite such other persons to its meetings to observe, report, answer questions or make presentations, as it deems necessary.</p> <p>The With-Profits Chairs and the With-Profits Actuary shall be entitled to attend for items related to the With-Profits members.</p>
Secretary	Company Secretary (or his / her delegate).
Quorum	Three directors, to include at least one NED. The Chair must be a NED.
Meeting frequency	<ul style="list-style-type: none"> <li>• The Chair will determine an appropriate number of meetings. The frequency of the meetings will be set with due regard to achievement of the main purpose and will include two strategy sessions.</li> </ul>
Notice of meetings	<ul style="list-style-type: none"> <li>• Meetings may be convened, by the Secretary, at the request of the 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 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.</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</li> </ul>

	<p>decisions of the Board.</p> <ul style="list-style-type: none"> <li>• The draft of the Minutes, as approved for issue by the Chair, shall be presented to the next meeting of the Board for formal adoption.</li> <li>• Where a decision has been taken by exchange of e-mail, copies of the e-mails shall be included in the minute book as the record of the decision.</li> </ul>
Conflicts of Interest	<p>The Secretary shall ascertain any (direct or indirect) conflicts of interest of members of the Board at the start of each meeting in relation to the matters to be discussed and record accordingly in the minutes. This includes conflicts resulting from significant shareholdings.</p> <p>The Board will ensure that the influence of third parties does not compromise or override independent judgement. As such, the Chair may apply any mitigation, including requiring any such conflicted director to withdraw from the meeting while the matter is considered by the Board.</p>
Decide/Approve	<p><b>The Board will decide on the following matters, usually with recommendations from another Board Committee:</b></p> <p><u>Strategy and Planning</u></p> <ol style="list-style-type: none"> <li>1. The annual business plan and budget and strategic plans for the Group (see Guidance Note '1').</li> </ol> <p><u>Financial Matters</u></p> <ol style="list-style-type: none"> <li>2. Expenditure (whether capital or revenue) greater than £5m, or £2.5m over agreed budget and any other expenditure outside the normal course of business.</li> <li>3. The setting of any capital hurdle rate used for all or part of the business.</li> </ol> <p><u>Mergers, Acquisitions and Disposals</u></p> <ol style="list-style-type: none"> <li>4. Approval of mergers, acquisitions and disposals, either by the Company or any of its subsidiaries.</li> </ol> <p><u>Governance and Compliance</u></p> <ol style="list-style-type: none"> <li>5. The Notice of General Meeting and related documentation in connection with the meeting.</li> <li>6. Proposed amendments to the Articles of Association (which would be recommended to members at a general meeting).</li> <li>7. Any political donations.</li> <li>8. The Terms of Reference of the Board, Board Committees and LVFS Subsidiaries' Board.</li> <li>9. Appointment of directors to the board of directors of the subsidiary boards.</li> <li>10. External Appointments for Directors.</li> <li>11. The initial remuneration package, and any subsequent changes to their remuneration following the annual review, of the non-executive directors including the members of the WPC and RNPFN.</li> <li>12. The process for the annual Board and Board Committee Effectiveness Reviews.</li> <li>13. The authority limits for the CEO ("Delegation of Authority").</li> </ol> <p><u>Staff Pension Scheme</u></p> <ol style="list-style-type: none"> <li>14. Approval of changes to pension scheme design or pension scheme type and proposals to mitigate the financial risks that impact the Group balance sheet.</li> </ol> <p><u>With Profits Matters</u></p>

Decide/ Approve following recommendation	<p>15. Annual with-profits Bonus declaration.</p> <p><b>The Board will also decide on the following matters but, unless specified, will rely upon recommendations or approvals from the specific Committee:</b></p> <p><u>Audit Committee</u></p> <p>16. All external financial reporting and narrative, including annual narrative SII Pillar 3 reporting, including the Solvency and Financial Condition Report, PRA Annual SII returns (public QRTs) and the Annual Reports and Accounts.</p> <p>17. The basis upon which the annual SII results/accounts are produced.</p> <p>18. Appointment, annual re-appointment and removal of External Auditors in line with the decisions made by members at the AGM.</p> <p><u>Risk Committee</u></p> <p>19. The risk strategy (including attitude to risk statements) and risk preferences.</p> <p>20. Risk appetite statements and changes to them.</p> <p>21. Risk and capital implications of strategic transactions including proposed acquisitions or disposals.</p> <p>22. The Own Risk and Solvency Assessment (ORSA) Policy, including the scope, format, timing, and content of the ORSA report.</p> <p>23. Actions necessary to ensure the Group can meet regulatory requirements associated with the production of the ORSA.</p> <p>24. The appropriateness of the Standard Formula used to determine solvency requirements under Solvency II (as considered within the ORSA processes).</p> <p>25. All proposed appointments to the Board, whether NED or executive, including the position of SID and Company Secretary.</p> <p>26. Nomination for the re-election of directors at the Company's AGM.</p> <p>27. Changes to the membership of the Board Committees.</p> <p>28. The Directors' Governance Report for LVFS' Annual Report and Accounts.</p> <p>29. Any governance matters which require escalation to, or Board approval.</p> <p><u>Investment Committee</u></p> <p>30. Appointment and contractual arrangements of the Group's fund managers where mandate is greater than £200m.</p> <p><u>With Profits Committees (LV &amp; RNPFN)</u></p> <p>31. Whether the way in which each with-profits fund is managed is properly reflected in the Principles and Practices of Financial Management (PPFM); whether changes are needed to the PPFM to ensure the PPFM is fit for purpose; actions necessary for LVFS to ensure compliance with the PPFM; and the outcome of any PPFM compliance review.</p> <p>32. Whether the firm has addressed effectively the conflicting rights and interests of with-profits policyholders and other policyholders or stakeholders in a way that is consistent with TCF principles.</p> <p>33. The identification of surplus and excess surplus and the merits of its distribution or retention and the proposed distribution policy.</p> <p>34. How bonus rates, smoothing and if relevant, market value reductions have been calculated and applied.</p> <p>35. The relative interests of policyholders with and without valuable</p>
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	<p>guarantees.</p> <p>36. With-profits customer communications e.g. communication of matters the Committee believe policyholders should be aware of, annual bonus notices and periodic reviews of stock literature.</p> <p>37. Any significant changes to the risk or investment profile of each with-profits fund including the management of material illiquid investments and the firm's obligations in relation to strategic investments, including changes to LV='s risk appetite which impacts investments.</p> <p>38. Any management actions planned or implemented which impact a with-profits fund including the management options catalogue (see Guidance Note '2').</p> <p>39. Run-off plans, court schemes and similar matters.</p> <p>40. Costs/expenses (including tax) incurred in operating each with-profits fund including any relevant benchmarking.</p> <p>41. Appointment and removal of the With Profits Actuary and, at least on an annual basis, the effectiveness of his/her performance.</p> <p>42. Actions arising from relevant management information pertaining to each with-profits fund, such as customer complaints data.</p> <p>43. Review of monitoring of conflicts of interest with the Notional Non-Profits Fund</p> <p>The following decisions by the Board require the <b>prior approval</b> of the WPC:</p> <p>44. In respect of any proposal to transfer the policies, assets, and liabilities of the TA Fund to the LVFS with-profits fund, in accordance with the Instrument of Transfer of Engagements dated 01/04/16 ("Transfer Document"), that the proposal will not have a material adverse effect on the reasonable expectations of the holders of transferred with-profits policies.</p> <p>45. Any application to the PRA, following confirmation of the transfer by the PRA, to amend the terms of the transfer.</p> <p>46. Any proposed amendments to the provisions of the Transfer Document due to regulatory change.</p> <p><u>All Executive &amp; Board Committees Established by the Board</u></p> <p>47. Approval of, and changes to, the governance framework established by the LVFS Board, including membership of such committees.</p>
<p>Decide/Approve (following Consultation with WPC) (With Profits Committees)</p>	<p>In addition to the matters that the Board expect the With Profits Committees to provide a recommendation on, the With Profits Committees <b>may be consulted</b> on:</p> <ol style="list-style-type: none"> <li>Whether it is appropriate to issue a new policy to a person exercising a right or option under a transferred policy.</li> <li>Whether the issue of an alternative (the nearest equivalent) policy to a person exercising a right or option under a transferred policy would satisfy the reasonable expectations of that person.</li> </ol> <p>The With Profits Committees <b>will be consulted</b> on before taking any decisions:</p> <ol style="list-style-type: none"> <li>Whether the terms of any transaction (where the Board consider such transaction to be material) with or for the benefit of the TA Fund, relating to contracts for material services provided or transactions with other funds within LVFS, can reasonably be considered to be arm's length terms.</li> <li>Measures to mitigate any liability which may arise for the TA Fund as a</li> </ol>

	<p>result of a claim, or related series of claims, likely to exceed £250,000.</p> <ol style="list-style-type: none"> <li>3. Whether it is appropriate to make changes to the actuarial assumptions (excluding economic assumptions) practices or methodologies used for the TA Fund where this is likely to result in a reduction in the surplus available for distribution of £500,000 or more.</li> <li>4. Where the cost of external advice is likely to exceed £25,000, an equitable proportion to be charged to the TA Fund, reflecting the costs incurred in respect of that Fund.</li> <li>5. Whether any proposed debit or charge (or series of charges) in excess of £250,000 should be allocated to the TA Fund. Note: The WPC <b>may</b> consult the Board on any debit or charge to the TA Fund following such debit or charge being incurred. In order to assist the WPC in discharging this responsibility, in practice all such debits or charges will be reviewed by the WPA or Chief Actuary – Life and presented to the WPC.</li> <li>6. Whether amounts other than those specified in the Transfer Document should be credited to the TA Fund.</li> <li>7. Whether the terms of any reinsurance arrangement between the TA Fund and any other LVFS fund can reasonably be considered arm's length commercial terms.</li> <li>8. After the end of each financial year, whether the provisions of the Transfer Document have been complied with since the date of the last Board certificate of compliance.</li> <li>9. Whether any proposed adjustment (where the Board consider such adjustment to be material) due to a delay in a payment to or from the TA Fund is appropriate.</li> <li>10. Any change to the basis on which tax is attributable to the TA Fund, to accommodate any material change to the basis on which tax is charged to Friendly Societies.</li> <li>11. The administration fees to be charged to TA Fund following the 11<sup>th</sup> anniversary of the effective date.</li> <li>12. Any new business that the Board considers should be written in the TA Fund in order to avoid a failure to satisfy any right or reasonable expectations of any holder of a transferred policy.</li> </ol>
Recommend	Not Applicable.
Notify (With Profits Committees)	1. Matters that are relevant to, or materially impact, the with-profits funds.
Oversight	<p>The decisions of the following committees will be overseen by the Board:</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Risk Committee</li> <li>• Remuneration and Nomination Committee</li> <li>• With Profits Committees</li> <li>• LVFS Subsidiary Board</li> <li>• Group subsidiary companies</li> </ul>
Delegated Authorities	<p><u>Delegation onwards (unconditional)</u></p> <p>All matters not explicitly reserved to the Board, delegated to a sub-Committee of the Board or to an executive management committee of the Board are delegated to the Chief Executive Officer.</p>
Escalation	<u>To:</u>

	<p>Where appropriate, to the Membership of LVFS.</p> <p><u>From:</u></p> <p>Appropriate matters may be escalated up from sub-Committees, or executive management committees of the Board or from the subsidiary company boards.</p>
<p>Guidance Notes</p>	<p><u>The following are for guidance only and do not form a part of the terms of reference.</u></p> <ol style="list-style-type: none"> <li>1. Approval for an explicitly identified project that has been given within the annual plan shall be taken, regardless of quantum, as all the necessary Board approvals have been provided and further confirmation at the point of expenditure will not be required.</li> <li>2. The term "matters that impact the with-profits fund" is interpreted as:</li> <li>3. Directly impacts the benefits or asset shares of LVFS's with-profits policies e.g. a bonus declaration; or</li> <li>4. Impacts the estate and relates to LVFS's with-profits business e.g. purchasing a hedge in respect of the equities backing policy asset shares and holding the hedge in the estate; or</li> <li>5. Materially impacts the estate e.g. a debt raise or an acquisition.</li> <li>6. Where making a decision, the Board shall consider each of the following points (and, where not applicable, specifically note in the minutes as such): <ul style="list-style-type: none"> <li>• The material risks impacted by the decision;</li> <li>• The impact/implications of the decision on the Company's stakeholders, including customers, members, employees, suppliers and regulators;</li> <li>• The alignment of the decision with the risk appetite and risk strategy of the Group;</li> <li>• The impact of the decision upon the current and future solvency of the Group and any other subsidiaries of the Company affected;</li> <li>• The impact of the decision in terms of risk-adjusted performance;</li> <li>• Clear reasons for any decisions contrary to that implied by the Economic Capital Model results; and</li> <li>• The effect that variations in key assumptions would have upon the risk, solvency and performance impacts of the proposal.</li> </ul> </li> </ol> <p><u>Governance</u></p> <ol style="list-style-type: none"> <li>7. The Board will have oversight of the following governance matters: <ul style="list-style-type: none"> <li>• Oversee and annually review the Group's governance framework including the Management Responsibilities Maps;</li> <li>• Oversee and regularly review the CEO's authority limits ("Delegation of Authority");</li> <li>• Monitor developing trends and changes in legislation to assess the impact (if any) to LVFS;</li> <li>• Ensure that a comprehensive board evaluation process occurs annually for the Board and Board Committees; ensuring that at least every three years, in line with the Corporate Governance Code the externally led process is considered. The Committee is responsible for engaging the external facilitators and overseeing the implementation of the recommendations from the review that relate to the composition of the board and succession planning; and</li> <li>• Work and liaise as necessary with other board committees, ensuring</li> </ul> </li> </ol>

	<p>the interaction between committees and with the board is reviewed regularly.</p> <p><u>Effectiveness</u></p> <p>8. To perform his or her role effectively, each Board member will need to develop and maintain his or her skills and knowledge, including an understanding of the Board's responsibilities and of the Company's business, operations and risks. The Company Secretary will ensure the Board has the policies, processes, information, time and resources to function effectively and efficiently.</p> <p>9. At the end of each meeting the Board 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>10. On an annual basis the Board will set out a programme of priorities, including training requirements, for the following year which will inform the agenda for its meetings.</p> <p>11. On an annual basis the Board 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), including its composition, diversity and how effectively members work together to achieve objectives, the adequacy of the Chair and Non-Executive Director time commitment and the effectiveness of working relationships with the sub-Committees of the Board and the subsidiary company boards. Whilst the Board recognises the UK Corporate Governance Code's recommendation for FTSE 350 companies to undertake an externally facilitated board evaluation every three years, the Board does not feel bound by the requirement. The Board 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 Board will keep its Terms of Reference and relationships with the sub-Committees of the Board / subsidiary company boards under review and will make 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>Note: Any such changes may potentially impact the specific Delegated Authority of the Chief Executive Officer.</p>
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