

UTMOST LIFE AND PENSIONS LIMITED Risk and Compliance Committee Terms of Reference



1. Constitution

The Risk & Compliance Committee is a sub-committee of Utmost Life and Pensions' ("ULP", "the Company") Board of Directors and has been delegated responsibility for assisting the Board in its oversight of the risk management and compliance culture and ensuring compliance of the undertaking with all legal and administrative requirements. Also for overseeing the regulatory capital position, advising the Board on ULP's risk appetite and risk, control and compliance exposure; setting and monitoring ULP's risk management and compliance policies; and ensuring the effectiveness of its ORSA.

As of January 2020, the Risk & Compliance Committee also has delegated responsibility from the Board of the Equitable Life Assurance Society ("ELAS") to consider all relevant matters in relation to ELAS, being a wholly owned subsidiary of ULP, and to report and make recommendations to the ELAS Board accordingly.

The Committee aligns with the Remuneration Committee to embed a risk-based company-wide Remuneration Policy for ULP.

2. Purpose and Authority

The Committee is authorised by the ULP and ELAS Boards to:

- **Risk appetite framework** - review and recommend the risk appetite, tolerance and strategy;
- **Risk exposures and assessment** – review and recommend regarding their consideration and reporting;

- **Risk management framework** - review and recommend regarding the design, controls, monitoring and embedding;
- **Internal controls** - review and recommend regarding the effectiveness of internal controls;
- **Remuneration and risk** - ensure consideration of risk in remuneration;
- **Compliance and fraud** - review the procedures and approaches to compliance and fraud and report on these;
- investigate any activity within its ToR;
- seek any information that it requires from any employee of the Company or the Group involved in the provision of services to the Company or to ELAS, and all such employees are directed to co-operate with any request made by the Committee and seek any information from any employee of an external service provider; and
- obtain outside legal or professional advice as necessary to fulfil its ToR, where such advisors may attend meetings as necessary.

3. Membership/Organisation

The Members of the Committee shall be appointed by the Board following consultation with the Chair. The Committee will be composed of at least three members at all times, with two of these to be Independent Non-Executive Directors and one a Founding Non-Executive Director. Executive Directors will not be members of the Committee.

The Chair shall be appointed by the Board, and shall be an Independent Non-Executive Director. In the absence of the Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chair of each meeting shall be an Independent Non-Executive Director.

The Company's Chief Executive, Chief Risk Officer (who is also the SMF16 Compliance oversight role holder), Chief Financial Officer and Chief Actuary shall be invited to attend meetings of the Committee. In addition to appointed members, the Chair may invite other persons to attend all or part of any meeting.

Furthermore, the CRO shall have direct access to the Committee as appropriate.

The membership and role of chair of the Committee will be reviewed each year by the Board in consultation with the Chair to ensure that an appropriate balance is maintained between experience and independence. Changes as required will be recommended to the Board thereafter. The appointment of members to the Committee shall be for a period of up to 3 years, extendable up to 2 further periods of 3 years.

The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.

The quorum for meetings shall be two members (of whom at least one shall be an Independent Non-Executive Director and at least one shall be a Founding Non-Executive Director). If necessary either Founding Non-Executive Director may grant delegated authority to any individual to represent the Founders at a given meeting, should they be absent, to allow it to be quorate.

A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Any member of the Committee who has a personal interest in the matters to be considered by the Committee is to declare that interest in advance of such discussions. The member should absent themselves from any discussions on these items.

4. Meetings

The Committee shall meet at least four times a year, normally quarterly and at such other times as the Chair considers necessary or appropriate. In addition, ad-hoc meetings shall be held whenever it is necessary to discuss any significant or critical aspects concerning the Company's or ELAS's risk and compliance affairs and/or related matters.

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, standing invitees and any other person required to attend, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other invitees as appropriate, at the same time.

The Company Secretary or their nominee shall be Secretary of the Committee. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

The Chair shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and the Secretary shall minute them accordingly.

The Committee shall be authorised to seek any information that it requires from any employee of the Company, any employee of a Group company involved in the provision of services to the Company or to ELAS, or any employee of an external service provider.

5. Responsibilities

The responsibilities of the Committee are to:

- Advise the Board and the ELAS Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment drawing upon financial stability assessments such as those published by the Bank of England, the regulators and other authoritative sources that may be relevant for the Company's risk policies.
- Advise the Board and ELAS Board on the current risk exposures of the Company and ELAS and future risk strategy.
- Ensure the Company and ELAS adhere to their respective Investment Policies, Strategic Business Plans, Capital Management Policies, Risk Management Frameworks, Compliance Policies, Service Standards Policies, Policies on risk appetite for with-profits sub-funds and Policies on Non-Profit Discretion, as relevant for each company.
- Keep under review the design, completeness and effectiveness of the Company's and ELAS's internal controls, capital management and risk management systems.
- Reviewing, actively steering, challenging and considering the appropriateness of the ORSA, before recommending it to the Board for further review and approval.
- Keep under review the Company's and ELAS's overall risk assessment processes that inform Board decision making, ensuring both qualitative and quantitative metrics are used, and review regularly and approve the parameters used in these measures and the methodology adopted.
- Receive reports from management on the effectiveness of the systems they have established and the conclusions of any testing.
- Ensure risk assessments are undertaken of strategic or significant transactions and any major business projects.
- Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- Review the Company's and ELAS's capability to identify and manage new risk types.
- Review reports of any material breaches of risk limits and the adequacy of proposed action.
- Advise the Board and ELAS Board on the remit of the risk management function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions.
- Consider whether there are any trends or current factors relevant to the Company's or

ELAS's activities, markets or other aspects of its internal environment that have increased, or are expected to increase, the risks faced by the Company or ELAS.

- Recommend to the Board the appointment and/or removal of the CRO. If the CRO resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- Review and monitor management's responsiveness to the findings and recommendations of the CRO.
- Ensure the CRO has unfettered right of access to the Chair of the Board, the Chair of the ELAS Board and to the Committee.
- Support the CRO in developing and implementing work plans and in securing appropriate resources for their work.
- Assist the Audit Committee in ensuring that risk is properly considered in its review of the adequacy and effectiveness of the Company's and ELAS's system of internal controls, including financial reporting and financial controls.
- Advise on the extent to which risk is being properly considered by the Remuneration Committee and the Board in setting the overall remuneration policy for the Company; and provide input on risk considerations when the Remuneration Committee is considering Executive and staff targets and performance.
- Review reports from the Chief Actuary on the application of the Policy on Non-Profit Discretion and particularly the value provided by unit-linked funds and the fees and charges levied.
- Review reports from the CRO on regulatory compliance and keep under review the adequacy and effectiveness of the Company's and ELAS's compliance function.
- Review the Company's and ELAS's procedures for detecting fraud.
- Review reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's and ELAS's anti-money laundering systems and controls.
- Review the Company's and ELAS's systems and controls for the prevention of bribery and tax evasion and receive reports on non-compliance.
- Review updates in respect of delivering the FCA Consumer Duty requirements, and ensure the Duty is embedded into the culture of the Company and its subsidiaries to facilitate the delivery of the required good outcomes for customers.
- Review reports from the Customer Service Director on the adequacy and effectiveness of the Company's operational resilience.
- Review the adequacy and effectiveness of the Company's and ELAS's systems and controls for the oversight of Outsourcing and Third Party Management arrangements.

6. Reporting Procedures

The Committee shall operate under delegated authority from the Board and the ELAS Board, and the Chair shall report formally to the Board and/or the ELAS Board on the key aspects of its proceedings after each meeting. Financial control issues will be addressed to the Chair of the Audit Committee. With-Profits issues will be addressed to the Chair of the With-Profits Committee. The Committee shall make whatever recommendations to the Board it deems appropriate regarding any matter within its remit where action or improvement is needed.

The Secretary shall circulate the minutes of meetings to all members of the Committee in advance of the next Committee meeting. The Board shall receive a copy of the most recent minutes from the latest Committee for review.

Committee members shall conduct an annual review of their work and these ToR and report to the Board on their activities during the year. As part of the latter there shall be an attestation by the Chair of the Committee as to any areas of the Terms of Reference that have not been met.

Appendix: Abbreviations and Definitions

The titles and functions in this document apply to both genders.

ALM	Asset Liability Matching
Board	Board of Directors of Utmost Life and Pensions Ltd
Committee	The Committee to which these Terms of Reference are directed
Company	Utmost Life and Pensions Limited
CEO	Chief Executive Officer
CRO	Chief Risk Officer
Director Independence	<p>Independence is defined as the ability to exercise sound judgement and decision making independent of the views of Management, political interests or inappropriate outside interests. In determining Director Independence the following criteria are to be considered:</p> <ol style="list-style-type: none">i. Has been an employee of the company or group within the last five yearsii. Has, or has had within the last three years, a material business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company;iii. Has received or receives additional remuneration from the Company apart from a director's fee, participates in the Company's share option or a performance related pay scheme, or is a member of the Company's pension scheme;iv. Whether the individual represents a significant shareholder;v. Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;

- vi. Has close family ties with any of the Company's advisers, directors or senior employees; and
- vii. Has served on the board for more than nine years from the date of their first election.

ELAS	The Equitable Life Assurance Society
ELAS Board	The Board of Directors of the Equitable Life Assurance Society
ERM	Enterprise Risk Management
KPI	Key Performance Indicator
KRI	Key Risk Indicator
Independent Non-Executive Director	Non-executive director who satisfies the criteria for director independence
Founding Non-Executive Directors	Paul Thompson and Ian Maidens
Management	Members of the Senior Management Committee
Non-Executive Director	A Director without executive management responsibilities for the institution
ORSA	Own Risk & Solvency Assessment (includes the assessment of appropriateness of the Standard Formula).
Senior Management	Members of ULP's Senior Management Team
ToR	Terms of Reference
ULP	Utmost Life and Pensions Limited