

LEGAL & GENERAL GROUP PLC

Group Risk Committee – Terms of Reference

1. Constitution of the Committee

1.1. The Board of Directors resolved to appoint a Group Risk Committee (the “Committee”), which is a committee of the Board. The Committee’s responsibilities are discharged on behalf of Legal & General Group plc and its principal operating subsidiaries, including Legal and General Assurance Society Limited, Legal & General Insurance Limited and Legal & General Investment Management (Holdings) Limited (the “Principal Operating Subsidiaries”) and the Group’s CRD IV firms, namely Legal & General (Portfolio Management Services) Limited and Cofunds Limited. The Board will annually review the terms of reference listed below and the Committee and the Board will annually review the effectiveness of the Committee.

2. Membership

2.1. Members of the Committee are appointed by the Board on recommendation of the Nomination Committee in consultation with the Chair of the Risk Committee.

2.2. The Committee will comprise a minimum three of independent Non-Executive Directors of the Company. Independence is determined by relevant legislation and corporate governance.

2.3. Appointments to the Committee will be for a period of three years, which may be extended for two further three year periods, provided the director remains independent.

2.4. The Chair of the Committee shall be an independent Non-Executive Director appointed by the Board.

2.5. Members of the Committee will comprise:

2.5.1. Chair of the Group Risk Committee

2.5.2. Chair of the Audit Committee

2.5.3. One other Non-Executive Director

2.6. The Group Chief Financial Officer and the Group Chief Risk Officer will be expected to attend all meetings.

2.7. At least one of the members shall be determined to have recent and relevant risk experience.

3. Duties and Authority

3.1. The Committee’s primary role is to provide guidance to the Board with regard to the Group’s risk appetite, to provide advice on what constitutes acceptable risk taking and to provide oversight of the Group’s risk management policies and procedures.

3.2. As part of its oversight, the Committee must review and approve a robust framework to ensure that the identification, monitoring, managing and reporting of risks is embedded in the Group.

3.3. The Committee’s main responsibilities are to:

3.3.1. Provide advice to the Board in relation to the Group’s overall risk appetite for each of the categories of emerging and principal risk to which the Group may be exposed, being:

- 3.3.1.1. Insurance risks
- 3.3.1.2. Investment and market, liquidity, and counterparty credit risks
- 3.3.1.3. Regulatory and legal changes
- 3.3.1.4. Material business, IT and operational risks
- 3.3.1.5. Reputational risks
- 3.3.1.6. Conduct risk
- 3.3.1.7. Such other principal risks as determined from time to time
- 3.3.2. Oversee and advise the board on the current risk exposures of the Group.
- 3.3.3. Oversee the management of those categories of risk to which the Group may be exposed.
- 3.3.4. Provide oversight of the Group's overall risk framework ensuring that the emerging and principal risks are being appropriately assessed; and to approve as the Board's delegate any necessary changes in Group risk policies (including the Own Risk & Solvency Assessment Policy).
- 3.3.5. Review the Group Risk Appetite and to advise the Board on its appropriateness.
- 3.3.6. Review and approve the Group risk strategy, policies and procedures.
- 3.3.7. Monitor the impact of the emerging and principal risks on the Group's strategy and consider changes to the risks arising at a Group level as a consequence of the Group's strategy, market and regulatory events.
- 3.3.8. Receive regular reports on key risk matters that may impact the Group and to provide advice as to the appropriate action to be taken where necessary. These reports will include Internal and External Audit reports, and audit tracking records where relevant to the Group's risk framework and others as determined by the Audit Committee.
- 3.3.9. Review the Risk Management section of the Corporate Governance Report to be included in the Group's annual Report and Accounts and to make a recommendation to the Board regarding its acceptance.
- 3.3.10. Oversee the governance of the Group's Internal Model including ratification of all changes proposed to the Model.
- 3.3.11. Provide advice to the Audit Committee on Internal Model assumptions to be used in regulatory and public disclosures and on other issues, as requested by the Audit Committee.
- 3.3.12. Advise the Board on the overall operation and performance of the Group's Internal Model, approving its strategic direction and, where appropriate, recommending major changes to the Board for approval. The Committee will also escalate material deficiencies of the Model (identified through the validation process or otherwise) to the relevant Board(s) if there are implications for the use of the Model in reporting or decision-making.
- 3.3.13. Approve and oversee the performance of the "Own Risk and Solvency Assessment" designed to measure, aggregate and monitor risks in accordance with strategy, policy and principles.
- 3.3.14. Review the Group's Own Risk and Solvency Assessment (ORSA) report and to make a recommendation to the Board regarding its acceptance.
- 3.3.15. Approve and oversee the development and maintenance of the Group's recovery and resolution plans.

- 3.3.16. Review the appropriateness of stress tests, scenario analysis and reverse stress tests, reviewing results and proposing the necessary action.
- 3.3.17. Delegate authority to the Group Chief Risk Officer to approve minor revisions to the Group's emerging and principal risk categories in between meetings of the Committee to ensure that the categories are kept up to date, such revisions being reported to the next meeting of the Committee.
- 3.3.18. Provide advice to the Board Remuneration Committee on specific risk adjustments to be applied to performance objectives and other issues, as requested by the Remuneration Committee.
- 3.3.19. Monitor and encourage the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk.
- 3.3.20. Consider other topics, as referred to it from time to time by the Board.
- 3.4. The Committee is concerned with the business of the whole of the Group and its authority extends to all relevant matters relating to the Group and its business groups and subsidiaries.
- 3.5. The Committee is authorised and empowered by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employee of the Group and require all employees to co-operate with any request made by the Committee.
- 3.6. The Committee is authorised by the Board to obtain outside legal or other independent professional advice, where the Committee deems it necessary, at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 3.7. The Committee is authorised by the Board to meet for despatch of its business, adjourn and otherwise regulate its business as it shall see fit.
- 3.8. The Committee is authorised by the Board to delegate any of its duties other than its duty relating to independent oversight of the risk management function as appropriate to such person or persons as it thinks fit.

4. Meetings and Quorum

- 4.1. Only members of the Committee have the right to attend Committee meetings. However, the following may attend by invitation:
 - Group Chief Executive
 - Group Chief Financial Officer
 - Group Chief Internal Auditor
 - External Audit Partner
 - Non-Executive Directors of the principal Operating Subsidiaries (where applicable) in relation to items of business pertaining to that Principal Operating Subsidiary.
 - and others at the Chair's request
- 4.2. The Company Secretary, or his nominee, shall act as Secretary of the Committee.
- 4.3. Any two Members, one of which shall be the Chair of the Committee, or the elected chair shall constitute a quorum.
- 4.4. In the absence of the Chair the remaining members of the Committee present shall elect one of themselves to chair the meeting.
- 4.5. The Committee normally meets four times per year, and at other times as the Committee deems appropriate.
- 4.6. Meetings should be held, where appropriate, as short a period as practical after the corresponding meeting of the Executive Risk Committee to ensure the work of the committees is properly synchronised.

- 4.7. Notice of a meeting and distribution of papers shall be no less than five (5) working days prior to the meeting.
- 4.8. The Secretary of the Committee shall minute the proceedings and resolutions of meetings of the Committee including recording the names of those present and in attendance.
- 4.9. The Secretary will ascertain at the commencement of each meeting the existence of any conflicts of interest and minute these accordingly.
- 4.10. Minutes of the meeting will be circulated to all members of the Committee.

5. Reporting responsibilities

- 5.1. Minutes of the meeting will be circulated to all Board members and, as appropriate, to attendees.
- 5.2. The Chair of the Committee shall report to the Board following each meeting of the Committee.
- 5.3. The Committee will produce a report on its activities to be included in the Company's annual report. This report will include:
 - 5.3.1. Details of membership of the Committee.
 - 5.3.2. A description of duties and activities during the year.
 - 5.3.3. A description of the Company's risk management strategy and key risk exposures.
- 5.4. The Chair of the Committee or a deputy chosen from its membership shall be available at the Annual General Meeting of the Group to answer questions which relate to the work of the Committee.
- 5.5. The Committee will report back on Committee activities, insofar as is relevant to the Principal Operating Subsidiaries, to the Board of the relevant Principal Operating Subsidiary through senior management.

6. Relationships with other Committees

- 6.1. The work of the Committee is closely linked with that of the Board Audit Committee.
- 6.2. The Chair of the 2 Committees shall agree on which documents (including Committee Minutes) shall be received by both Committees and how the Risk Committee could best contribute to the Audit Committee's planning for future Internal Audit work.
- 6.3. The Committee is concerned with the business of the whole Group and its authority extends to all relevant matters relating to the Group and its business groups and subsidiaries.

7. Other matters

- 7.1. The Group Chief Risk Officer will report and have unfettered access to the Committee.
- 7.2. The Committee shall:
 - 7.2.1. Be provided with appropriate and timely training, both in the form of an induction programme for new members and thereafter on an on-going basis.
 - 7.2.2. Arrange for periodic reviews of its performance and annual review its constitution and terms of reference.