Prudential plc

Terms of Reference: Group Risk Committee

1. *Constitution and Purpose*

a. The Committee is constituted by the Board of Directors with the purpose of assisting the Board in providing leadership, direction and oversight of the Group's overall risk appetite, tolerance and strategy, overseeing and advising the Board on the current and potential future risk exposures of the Group, reviewing and approving the Group's risk management framework, and monitoring its effectiveness and adherence to the various risk policies.

b. The responsibility and authority of the Committee covers the whole of the Group's business.

c. Where there is a perceived overlap of responsibilities between the Group Audit Committee and the Group Risk Committee, the respective committee chairs will have the discretion to agree the most appropriate committee to fulfil any obligation.

d. Where the Committee requests any reviews to be carried out which have an impact on the Group Audit Committee, the Group Risk Committee Chair will liaise with the Group Audit Committee Chair to determine the most appropriate way to update the Group Audit Committee.

2. *Membership*

a. The Committee shall comprise at least three members, all of whom shall be independent Non-executive Directors. One member should be a member of the Group Audit Committee. The Chair of the Board should not be a member.

b. Appointments to the Committee are made by the Board on the recommendation of the Nomination & Governance Committee and in consultation with the Group Risk Committee Chair.

c. The Board shall appoint the Group Risk Committee Chair who shall be an independent Non-executive Director.

d. The Group Risk Committee Chair is responsible for approving the membership and other attendees of material subsidiary risk committees.

3. *Secretary*

The Company Secretary or their nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the business of the meeting.

4. Meetings

a. The Committee will meet at least four times a year and otherwise as required.

b. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Group Risk Committee Chair or any of its members, or at the request of the Group Chief Risk and Compliance Officer.

c. In the absence of the Group Risk Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

d. Only members of the Committee have the right to attend Committee meetings. However, a standing invitation will be issued to all Non-executive Directors to attend with the consent of the Committee Chair, and the following individuals would be expected to attend meetings on a regular basis:
   - the Chair of the Board;
   - the Group Chief Executive;
   - the Group Chief Risk and Compliance Officer;
   - the Group Chief Financial Officer & Chief Operating Officer; and
   - the Group Chief Internal Auditor.

   Other individuals may be invited by the Group Risk Committee Chair to attend for all or part of any meeting, as and when appropriate.

e. Where appropriate, the Committee will meet with the Group Chief Risk and Compliance Officer or other invitees without the presence of other Executives.

f. A quorum is two members of the Committee.

g. Unless otherwise agreed, reasonable notice of each meeting together with an agenda of items to be discussed and supporting papers shall be provided to each member of the Committee and any other attendee as required.

5. Minutes

a. The secretary or their nominee shall minute the proceedings and decisions of all Committee meetings and retain copies of the papers.

b. Minutes of Committee meetings shall be circulated to Committee members and, where appropriate, other meeting attendees.

6. Engagement with shareholders

a. The Group Risk Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility. In particular, they shall attend the annual general meeting to answer shareholder questions on the Committee's activities.

7. Duties

The Committee is responsible for:

i) Group Risk Framework, including appetite and tolerance

a. Recommending the Group's overall risk appetite and tolerance to the Board for approval.

b. Reviewing the Group's material risk exposures, including market, credit, insurance, operational, regulatory, customer/conduct, reputational, cyber, investment, liquidity, model and economic and regulatory capital risks against the Group's risk methodologies and management's actions to monitor and control such exposures.

c. Reviewing and approving the Group's top risks annually, advising the Board on the likelihood and impact of principal risks materialising and their management and mitigation.

d. Reviewing the Group Risk Framework and related policies. The Committee will review and approve changes to the framework and new risk policies while recommending to the Board any material policies which require Board approval.

e. Facilitating the independent review[1], in line with GWS guidance, of the Group Risk Framework at least once every three years, in order to ascertain that it remains fit for purpose. The Committee will approve any updates which do not require Board approval.

f. Reviewing compliance with the Group Risk Framework and risk policies, including resultant actions in respect of policy breaches.

g. Reviewing and approving the metrics to be used and changes required to the system of Group Approved Limits.

h. Reviewing breaches to Group Approved Limits and the proposed remedial actions, including cases which are escalated to the Committee by the Group Chief Risk and Compliance Officer.

i. Reviewing the outcome of the Group's stress and scenario testing and monitoring management's response to the results.

j. Approving the annual Risk and Compliance plan for the Group, monitoring progress and key control findings from Compliance reviews, and requesting that the function undertake specific work where appropriate.

k. Reviewing procedures to combat financial crime, money-laundering activities, fraud, sanctions and bribery, and receive reports on effectiveness and compliance.

[1] An independent review may be carried out by an internal or external body as long as the reviewer is independent, is not responsible for, and has not been actively involved in, the part of the Group Risk Framework that it reviews.

ii) Models

In respect of the Group Internal Economic Capital Assessment (GIECA) and other Group Critical Models (collectively "Models") the Committee is responsible for:

a. Annually reviewing the overall effectiveness of the Internal Model, including the appropriateness of any proposed major changes, monitoring that changes to the Group are appropriately reflected, and making recommendations to the Board as required.

b. Reviewing and approving the overall methodology and key assumptions used in the Internal Model as well as understanding the consequences of the GIECA's outputs and limitations for risk and capital management decisions.

c. Reviewing the mechanisms in place to ensure sufficient understanding of the GIECA's construction and results at appropriate levels within the Group's organisation structure including at Board level.

d. Reviewing the Model validation framework, plans and the outcomes of the validation.

e. Approving GIECA results and associated documentation for submission to the HKIA.

f. In assessing the framework, the Committee will take into account any matters arising from the approvals, reviews and other activities of the relevant business risk committees, management and technical committees as well as the Audit Committee's review of controls and internal and external assurance activities relevant to Group Critical Models.

iii) Regulatory and financial environment

a. Considering material findings from regulatory reviews and interactions with regulators which impact on risk governance or risk management processes.

b. Reviewing emerging regulations, regulatory risks and changes in the financial environment with an impact on the Group's risk profile.

c. Advising the Board on the implementation of regulations and regulatory changes.

iv) Strategy, business plans, disclosures and transactions

a. Advising the Board on the risks inherent in business plans and, where appropriate, strategic transactions.

b. Reviewing the annual Own Risk and Solvency Assessment (ORSA), approving material reports and disclosures in connection with systemic risk management and, when required, other reporting requiring material input from the Group Risk function.

c. Facilitating the independent review[2], in line with GWS guidance, of the effectiveness of the Own Risk and Solvency Assessment, recommending any required material updates to the Board for approval.

v) Remuneration

Providing advice to the Remuneration Committee on risk management considerations to be applied to remuneration architecture, performance measures and the determination of pay-outs, to ensure risk management culture and conduct is appropriately reflected in the design and operation of Executive remuneration.

vi) Risk culture and Risk, Compliance and Security function

a. Supporting the Board and management in embedding and maintaining a supportive culture in relation to the management of risk, compliance and treating customers fairly.

b. Consider findings by the internal audit or any other function on the Group's attitude to and tolerance of risk, including financial and non-financial risks, and other culture indicators in relation to risk management and tolerance.

c. Approving the mandate for the group-wide Risk and Compliance function and reviewing the function's effectiveness, including adequacy of resourcing, access to information and independence from management.

vii) Group Chief Risk and Compliance Officer

a. Reviewing and monitoring management's responsiveness to the findings and recommendations of the Group Chief Risk and Compliance Officer.

b. Reviewing and monitoring the effectiveness of the Group Chief Risk and Compliance Officer.

c. Making recommendations to the Board on the appointment or removal of the Group Chief Risk and Compliance Officer.

viii) Subsidiary risk committees

a. Approving the standard terms of reference for material subsidiary risk committees.

b. Receiving regular reports from material subsidiary risk committees.

8. Reporting responsibilities

a. The Group Risk Committee Chair shall report to the Board after each meeting on the nature and content of the discussion, recommendations and actions to be taken.

[2] An independent review may be carried out by an internal or external body as long as the reviewer is independent, is not responsible for, and has not been actively involved in, the part of the ORSA that it reviews.

b. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

c. The Committee shall provide confirmation to the Group Audit Committee that, to the best of the Committee's belief, the disclosures made in the Annual Report on its activities, the risk governance and related sections are fair, balanced and understandable.

d. The Committee shall provide a description of its work in the annual report in line with requirements of relevant Corporate Governance guidelines.

e. The Committee shall ensure that other relevant laws and regulations and provisions regarding disclosure of information under applicable Corporate Governance Codes are fulfilled.

f. The Group Risk Committee Chair shall provide feedback on the Group Chief Risk and Compliance Officer's performance to the Group Chief Executive Officer and the Remuneration Committee.

9. Other matters

The Committee will:

a. Give due consideration to all relevant laws and regulations, the provisions of applicable Corporate Governance Codes and published guidelines or recommendations, and the requirements of applicable listing or other rules, as appropriate.

b. Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for advice and assistance as required.

c. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

d. Ensure that a periodic evaluation of the Committee's own performance is carried out.

e. At least annually, review its terms of reference and recommend any changes it considers necessary to the Board for approval.

10. Authority

a. The Committee is authorised to select, appoint and agree the terms of appointment of any advisers deemed appropriate by the Committee to provide advice to the Committee, including those used by management provided no conflict of interest arises, and invite such advisers to attend meetings to assist the Committee, at the Company's expense and through the Company Secretary's office where applicable.

b. The Committee is authorised to investigate any matter within its remit, seek any information from any of the Group's Directors and/or employees which is necessary to enable it to satisfactorily discharge its duties and make recommendations to the Board

where action or improvement is needed, and commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company.