

## 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, risk 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, 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 chairmen 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 Chairman will liaise with the Group Audit Committee Chairman to determine the most appropriate way to update the Group Audit Committee.

#### 2. Membership

The membership of the Committee is restricted to the independent Non-executive Directors with a minimum of three members, one of whom should be a member of the Group Audit Committee. The Chairman of the Board should not be a member.

#### 3. Meetings

- a. the Committee will meet at least four times a year;
- b. a quorum is two members of the Committee;
- c. the Chairman of the Committee is responsible for reporting to the Board on the Committee's activities;
- d. the Committee may invite any individual, whether internal or external, to attend all or part of any meeting in whatever capacity as the Chairman of the Committee deems appropriate in order to assist the Committee in its duties;
- e. the Group Chief Risk and Compliance Officer shall attend meetings and, where appropriate, the Committee will meet with the Group Chief Risk and Compliance Officer or other invitees without the presence of other Executives;
- f. the Chairman or Committee members may convene additional meetings at any time to deal with matters within the remit of the Committee. The Group Chief Risk and Compliance Officer may also request a meeting if considered necessary; and

- g. The Company Secretary, or his nominee, is the Secretary of the Committee and will minute the proceedings and retain copies of the papers.

#### **4. Duties**

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.

The Committee is responsible for:

i) Group Risk Framework

- a. recommending the Group's overall risk appetite and tolerance to the Board for approval;
- b. reviewing and approving changes made to the Group risk framework and relevant policies. The Committee will review and approve new risk policies while recommending to the Board any material policies which require Board approval;
- c. reviewing compliance with the Group Risk Framework and risk policies, including resultant actions in respect of policy breaches;
- d. reviewing and approving the metrics to be used and changes made to the system of Group Approved Limits. Reviewing breaches to Group Approved Limits and the proposed remedial actions, including such cases which are escalated to the Committee by the Group Chief Risk and Compliance Officer;
- e. reviewing the Group's material risk exposures, including market, credit, insurance, operational, regulatory, customer/conduct, reputational, cyber, investment, liquidity and economic and regulatory capital risks against the Group's risk methodologies and management's actions to monitor and control such exposures;
- f. reviewing and approving the Group's top risks annually;
- g. reviewing the outcome of the Group's stress and scenario testing and monitoring management's response to the results;
- h. 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;
- i. receiving reports and recommendations from the Executives and the Group Executive Risk Committee on the Group's attitude to and tolerance of risk, including financial and non-financial risks;
- j. reviewing and providing 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;
- k. reviewing procedures to combat financial crime, money-laundering activities, fraud, sanctions and bribery.

- ii) Internal Model – Group Internal Economic Capital Assessment (GIECA)
  - 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. approving GIECA results and associated documentation for submission to the HKIA.
- iii) Risk culture and Risk and Compliance function
  - a. Supporting the Board and management in embedding and maintaining a supportive culture in relation to the management of risk;
  - b. 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;
- iv) Regulatory and financial environment
  - a. Consider 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;
  - d. reporting to the Board on material regulatory events and visits and significant findings from Compliance oversight activities.
- v) Strategy, business plans and disclosures
  - 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, approving material reports and disclosures in connection with systemic risk management and, when required, other reporting requiring material input from the Group Risk function.
- vi) Remuneration

Providing advice to the Remuneration Committee on risk management considerations to be applied to remuneration architecture, performance measures and the determination of payouts,

to ensure risk management culture and conduct is appropriately reflected in the design and operation of Executive remuneration;

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;

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;

## **5. Committee Chairman**

The Committee Chairman is responsible for:

- a. providing feedback on the Group Chief Risk and Compliance Officer's performance to the Group Chief Executive Officer and the Remuneration Committee;
- b. approving the membership and other attendees of material subsidiary risk committees;

## **6. Governance**

The Committee will:

- a. receive regular reporting from the Group Executive Risk Committee and Group Risk as well as reporting from the Group-wide Internal Audit Director in relation to the findings of any reviews of the effectiveness of internal controls and risk management systems, and which relate to matters falling within these terms of reference;
- b. ensure that the Chairman of the Committee is available to answer shareholder questions at the annual general meeting;
- c. arrange for periodic reviews of its own performance and review its terms of reference, recommending any changes it considers necessary to the Board for approval;

## **7. Support**

The Committee will:

- a. have access to sufficient resources in order to carry out its duties;
- b. at the Company's expense and through the Company Secretary's office where applicable, be able 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;

- 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.