



**PRUDENTIAL**

**Prudential plc**

英國保誠有限公司\*

*(Incorporated and registered in England and Wales under the number 01397169)*

**(Stock code: 2378)**

## **Prudential plc Group Risk Committee - Terms of Reference**

### **1. Constitution**

- 1.1 The Board of Directors hereby resolves that the Committee of the Board known as the Group Risk Committee (“GRC”) shall have the Terms of Reference as set out below.
- 1.2 The Board will regularly review the Terms of Reference and may amend them from time to time.

### **2. Purpose**

- 2.1 The Committee shall be accountable to the Board and shall assist the Board in providing leadership, direction, and oversight with regard to the Group’s overall risk appetite and tolerance and risk management framework, including risk policies and process and controls, and the performance of the Group Chief Risk Officer.
- 2.2 The Committee’s responsibility and authority covers the entire Prudential plc Group of Companies.

### **3. Authority**

The Board authorises the Group Board Risk Committee to:

- 3.1. Investigate any activity within its terms of reference, and make any recommendations to the Board which it deems appropriate on any area within its remit where action or improvement is needed;
- 3.2. Seek any information that it requires from any director or employee of the Group, with access to all facilities of the Group, and from the board or committee of any subsidiary company, and the Board directs that directors of all Group companies and all employees co-operate with any request made by the Committee;
- 3.3. Obtain at the Group’s expense appropriate external professional advice, through the Company Secretary, and if necessary invite external advisers with relevant experience to attend meetings of the Committee and
- 3.4. Delegate any of its duties as is appropriate to such persons or person as it thinks fit.

### **4. Membership**

- 4.1. All members of the Committee and its Chairman shall be appointed by the Board, and shall comprise a minimum of three. The Chairman shall be selected from the independent Non-Executive Directors, and in any event a majority of the Committee members shall comprise independent Non-Executive Directors. Independence shall be determined by the Board with reference to relevant legislation, regulation and guidance.
- 4.2. The Chairman of the Group Audit Committee shall be a member of the Committee.

- 4.3. A quorum shall comprise two members of the Committee. In the absence of the Chairman, the remaining members present shall elect one of the other Non-Executive Directors to chair the meeting.
- 4.4. The Group Chief Risk Officer shall attend meetings of the Committee. The Committee may invite any other director, executive, or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the fulfilment of its duties.
- 4.5. The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

## **5. Meetings**

- 5.1. The Committee shall meet quarterly and the Chairman of the Committee may call additional meetings to examine and consider such other matters related to its responsibilities as the Committee may consider desirable. The Group Chief Risk Officer or any member of the Committee may request a meeting if they consider it necessary.
- 5.2. The Committee shall meet with the Group Chief Risk Officer, management and other invitees in separate sessions where appropriate to ensure that there are no unresolved issues of concern.
- 5.3. The Chairman of the Committee shall be responsible for reporting to the Board. The minutes of all meetings and resolutions of the Committee shall be circulated to the members of the Committee and to the Board. The Secretary will retain copies of the minutes and papers.

## **6. Duties**

The Committee, in carrying out its duties under these Terms of Reference, shall:

### **6.1 Oversight of risk management**

- 6.1.1. Review the Group risk, capital and liquidity management framework, the Group's risk appetite, its risk policies and standards, and supporting risk limits, including the parameters used and the methodology adopted, and the processes used for identifying and assessing risks. Approve risk policies and standards, referring any material new policies/standards or material changes to existing policies/standards/limits to the Board for approval.
- 6.1.2. Review material risk exposures of the Group, including market, credit, insurance, operational, liquidity, and economic and regulatory capital risks against the Group's risk measurement methodologies and management actions to monitor and control such exposures.
- 6.1.3. Review the standard for accurate and timely monitoring of large exposures and certain risk types of critical importance.
- 6.1.4. Review the Group's capability to identify and manage new risk types.
- 6.1.5. Receive quarterly reports from the Group Executive Risk Committee, Risk Oversight and Financial Risk Management, Solvency II and Prudential Capital, and reports 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.

### **6.2 Oversight of risk tolerance**

- 6.2.1. Receive reports and recommendations from management and the Group Executive Risk Committee on the Group's attitude to and tolerance of risk , including financial and non-financial risks.

- 6.2.2. Oversee the Group's processes and policies for determining risk tolerance and review management's measurement and effectiveness of, and compliance with, approved Group risk tolerance levels and policies and standards, and the resultant action in respect of policy breaches.
- 6.2.3. Review the risks inherent in strategic transactions and business plans and provide the Board with input on the risk/reward trade offs implicit within those plans.
- 6.2.4. Review the Group's capability to identify and manage new risk types.
- 6.2.5. Review the Group's stress tests to ensure they are rigorous and the Group responds adequately to the results.
- 6.3. Oversight of Group Chief Risk Officer
  - 6.3.1. Review and monitor management's responsiveness to the findings and recommendations of the Group Chief Risk Officer.
  - 6.3.2. Review and monitor the effectiveness of the Group Chief Risk Officer and help to promote a constructive relationship and dialogue with management as appropriate.
- 6.4. Executive remuneration
  - 6.4.1. Provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
- 6.5. Governance
  - 6.5.1. Prepare a report for inclusion in the Annual Report concerning risk management and strategy, and the operation of the Committee and assist the Board in the review of public and regulatory disclosures required under Solvency II, including the annual Solvency and Financial Condition Report.
  - 6.5.2. Conduct a regular review of its performance and terms of reference, and monitor that the Committee is provided with sufficient resources to undertake its duties, and that sufficient training is provided to members on appointment and on an on-going basis to enable the Committee to perform its function effectively and in accordance with the relevant professional standards, and recommend any changes it considers necessary to the Board for approval.
- 6.6. Other duties
  - 6.6.1. Consider any other matters, as referred to it from time to time by the Board.
  - 6.6.2. Make any recommendations with respect to any of the above and other matters within its remit as the Committee deems necessary or appropriate.
  - 6.6.3. Oversee any investigation of activities within its remit.

Approved by the Prudential plc Board on 8 December 2011.

*\* For identification purposes*