

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 and risk tolerance, as well as the investment and risk management frameworks.
- 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.

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 Officer shall attend meetings and the Committee will meet with her, management and other invitees as necessary, where appropriate without the presence of the 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 Officer or Group Investment Director may also request a meeting if either considers it necessary.
- g. The Group 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 the Group's risk framework and approving risk policies, standards and limits within the overall appetite and tolerance approved by the Board;
 - c. reviewing and approving the Group's Compliance policies;
 - d. reviewing the Group's processes for determining risk appetite tolerance, monitoring compliance with approved risk tolerance levels and policies and the resultant action in respect of policy breaches;
 - e. reviewing the Group's material risk exposures, including market, credit, insurance, operational, regulatory, customer/conduct, liquidity and economic and regulatory capital risks against the Group's risk methodologies and management's actions to monitor and control such exposures;
 - f. annually reviewing and approving the Group's key risks;
 - g. reviewing the Group's stress testing and monitoring management's response to the results;
 - h. receiving notification of material breaches of risk limits and approving the proposed remedial action where such cases are escalated to the Committee by the Group Chief Risk Officer;
 - 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. liaising with the Group Audit Committee Chairman to determine on a case by case basis which Committee takes responsibility for undertaking deep dive reviews and keeping the Group Audit Committee updated on any relevant findings from reviews requested by the Committee;

- ii) Risk models and measures
 - a. annually reviewing the overall effectiveness of the Internal Model;
 - b. reviewing the appropriateness of any proposed major change in the Internal Model, and making recommendations to the Board as required;

- iii) Group Investment Framework
 - a. reviewing the Group's investment framework and approving investment policies, standards and limits within the overall strategy approved by the Board;

- iv) Regulatory developments
 - a. reviewing emerging regulations and regulatory risks;
 - b. advising the Board on the implementation of regulations and regulatory changes;
 - c. reporting to the Board on regulatory events and visits, including those arising from compliance oversight activities;

- v) Strategy, business plans and disclosures
 - a. advising the Board on the risks inherent in strategic transactions and business plans;
 - b. advising the Board on the review of public and regulatory disclosures, such as the annual Solvency and Financial Condition Report, the Own Risk and Solvency Assessment when required and other reporting requiring material input from the Group Risk function;

- vi) Remuneration
 - a. advising the Remuneration Committee on risk weightings to be applied to performance objectives for Executive remuneration;

- vii) Group Chief Risk Officer
 - a. reviewing and monitoring management's responsiveness to the findings and recommendations of the Group Chief Risk Officer;
 - b. reviewing and monitoring the effectiveness of the Group Chief Risk Officer.

5. Governance

The Committee will:

- a. receive regular reporting from the Group Executive Risk Committee, Group Risk and Prudential Capital, 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 general meetings;
- 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;

6. 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 Group 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.