

## **Manual – Section 3.5**

### **3.5 Board Risk Committee – Terms of Reference**

#### **3.5.1 Purpose of the Committee**

- The Board Risk Committee (the Committee) is a committee of the Board of Old Mutual plc (the Board). The primary purpose of the Committee is to review, on behalf of the Board, management's recommendations on risk, in particular in relation to the structure and implementation of the Group's risk framework, including the quality and effectiveness of the internal controls, risk appetite limits, risk profile and Capital Management processes.
- The Committee shall report to the Board, identifying any matters in respect of significant risks to the Group, taking into account significant losses and control breakdowns, which it considers that action or improvement is needed, and make recommendations as to the adequacy of the risk mitigation plans, having regard to the agreed risk appetite and limits.
- These terms of reference include for completeness detail of all areas which the Committee may need to consider during the year to meet this overall purpose. The extent to which each individual item is actually covered each year will depend upon the materiality of the item in the overall group context.
- The Committee will work closely with the Group Audit Committee.

#### **3.5.2 Scope of the Committee**

- The role of the Committee extends across the whole Group.
- All categories of risk are included in the Committee's remit.
- The Chief Risk Officer and the Chairmen of any Board Risk Committees established in the Group's major subsidiaries should escalate/report risks and issues to the Chairman of the Committee as necessary.

#### **3.5.3 Operation of the Committee**

##### **• Members and Quorum**

- The Committee, including its Chairman shall be appointed by the Board and shall include the Group Finance Director. The remaining members of the Committee, including the Chairman shall be selected from among the independent Non-Executive Directors of Old Mutual plc. It shall consist of not less than four members, at least one of whom must have recent and relevant risk experience.
- Appointments to the Committee will be made by the Board on the recommendation of the Nomination Committee, in consultation with the Chairman of the Board Risk Committee.

- There will be some cross-membership between the Committee and the Group Audit Committee, with typically, the Chairman of each of the committees serving as a member of the other.
- The Board shall, from time to time, review and revise (when appropriate) the composition and remit of the Committee in accordance with recommendations received from the Nomination Committee, taking into account the need for an adequate combination of financial and business skills and knowledge.
- A quorum shall be two members.
- **Attendees**
  - The Chief Risk Officer, the Group Chief Actuary and the Group Internal Audit Director shall normally be invited to attend meetings. All Board members and the external auditors may also attend at the invitation of the Committee.
  - The Committee or its Chairman should meet annually, or as requested, with the external auditors and the Chief Risk Officer in a private session to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.
  - The Group Company Secretary shall be the secretary of the Committee.
  - From time to time the Chairman of the Committee may attend meetings of the Board Risk committees, where established in the major subsidiaries.
- **Frequency**
  - Meetings of the Committee will be held not less than four times a year.
- **Training**
  - The Committee, via the Group Company Secretary, shall make available to new members of the Committee a suitable induction process and, for existing members, ongoing training where appropriate and as discussed with the Committee.
- **Minutes**
  - The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and the Chairman of the Committee shall report on the Committee's proceedings and findings to the next meeting of the Board.
- **Roles & Responsibilities - Risk Management Framework**
  - Review and approve the Group's risk management framework satisfying itself that it is appropriate for the Group's activities. The Committee shall also monitor the effectiveness of the risk management frameworks in place.
  - Review the Risk and Regulatory annual operating plans, ensuring the functions are adequately resourced and have appropriate standing within the organisation.

- **Roles & Responsibilities - Risk Appetite**

- Review and recommend to the Board for approval the Chief Risk Officer's proposals on Risk Appetite, including Group's limits and the limits for the subsidiaries, with regard to the returns achieved by each Business Unit and the overall risk appetite of the Group.
- Review and monitor the alignment of Risk Appetite to the Group Strategy and planned activity, including approving Risk Strategy Action Plans to be implemented to bring risk exposure within appetite.

- **Roles & Responsibilities - Optimisation of Risk**

- Review, monitor and challenge the Group Risk profile in terms of significant exposures, risk trends, losses, management actions and performance versus appetite.
- Review and recommend to the Board and Remuneration Committee targets for the Risk Adjusted Performance Measures to be used, and comment on their achievement.
- Advise the Board and Remuneration Committee on the relationship between performance objectives and remuneration decisions and the risk profile. Advise the Remuneration Committee, as required on the remuneration of the Chief Risk Officer.
- Review and report to the Board on risks, issues and losses that have significant impact to the Group, including management's assessment of the likelihood of risks materialising and the sufficiency of the Group's decision making and system of internal controls to manage those risks.
- Review and monitor the management of material losses and the resulting actions to satisfy itself that these are appropriately implemented and / or rectified.
- To the extent not already covered directly by the Board or other Board committees, review and confirm to the Board appropriate due diligence has been carried out for proposed strategic acquisitions or disposals to assess its thoroughness and evaluate the major conclusions, including the impact on the Group's risk profile and risk exposure, and any concerns with the transactions.
- The Committee is not responsible for the day to day management of risk.

- **Roles & Responsibilities - Measurement of Risk**

- Review and evaluate the appropriateness of the Group's risk measurement systems, including oversight over the processes to manage and monitor the management of actuarial risk (where this manifests) across the Group.
- The Board is ultimately responsible for the economic balance sheet (including the market consistent embedded value) and economic risk based capital. To the extent that these items are included within the published financial statements of the Group, the Group Audit Committee will assist the Board to satisfy itself that the assumptions underpinning the measurements are appropriate, providing input to this Risk

Committee as appropriate to the extent these items relate to the measurement of risk. This Risk Committee will also provide confirmation to the Group Audit Committee that the assumptions properly reflect the risk profile of the Group.

- The Committee will receive and review a report from the Group Chief Actuary outlining the risk issues emerging from the actuarial investigations supporting the economic balance sheet and capital calculations referred to above.

- **Roles & Responsibilities - Capital Allocation**

- Oversee the allocation of capital in the Group and within businesses to ensure it meets regulatory requirements and is consistent with risk appetite limits and that capital allocations are adjusted as risk exposures change in line with business performance and/ or market conditions.

- **Roles & Responsibilities - Regulatory Risk**

- Monitor and review developments and prospective changes in the regulatory environment.
- Oversee the application of Solvency II and other regulatory change as required.

- **Roles & Responsibilities - Business Planning Cycle**

- Review and ensure that the Group's business plans, the Group risk appetite limits, regulatory capital allocations and the Group Risk Strategy are consistent.

- **Roles & Responsibilities - Scenario analysis and Stress Testing**

- Review and recommend to the Board key actions arising from scenario analysis and stress testing results.

- **Roles & Responsibilities - Risk Strategy**

- Review the recommended risk strategy for the Group in terms of both the management of risk and the risk profile (in line with the overall risk appetite) and recommend approval to the Board.

- **Roles & Responsibilities - Old Mutual Group Risk Policies and Standards**

- Receive reports annually, approve the Old Mutual Group risk policies, including any significant changes to these policies, and satisfy itself that these policies set out the Group's minimum mandatory control requirements to mitigate the Group top risks. As required review and approve any other Policies that are presented to it from time to time,
- Receive reports relating to significant policy breaches and satisfy themselves that appropriate remedial actions are being taken.
- Receive reports relating to the implementation of the Group risk policies, including waivers granted, any reported breaches and the status of actions to address these.

- **Roles & Responsibilities - Risk Sections in the Annual and Interim Report and accounts**
  - Review the risk sections in the annual report and recommend agreement to the Board.
- **Roles & Responsibilities - Risk governance framework**
  - Review the effectiveness of the Group's Risk Governance Framework and make recommendations to the Board.
- **Roles & Responsibilities - Other requirements:**
  - To the extent not covered by the Nomination Committee of the Board, approve the appointment, succession planning and termination of appointment of the Chief Risk Officer, including conducting an exit interview.
  - In conjunction with the Board effectiveness review, undertake annually a self assessment of the Committees' effectiveness, and report the findings to the Board.
  - Annually review and approve the terms of reference of the Group Executive Risk Committee.
  - Annually review and make changes to the terms of reference of the Board Risk Committee for recommendation to the Group Board.
  - Review the minutes of the meetings of the Board Risk Committees in the subsidiaries, including any significant changes to the scope or terms of reference of those subsidiary Committees.
  - Consider any other matters as requested by the Board.
- **Authority of the Committee**
  - The Committee shall act independently of management.
  - The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee. Such requests will be channeled through the Group Executives.
  - The Committee is authorised by the Board to obtain outside legal, accounting or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
  - In addition to an internal reporting line to the Group Finance Director or Group Chief Executive, the Chief Risk Officer and the Head of Governance and Regulatory Compliance have a reporting line to the Committee, with direct access to the Chairman on a regular basis.
- **Reporting**

- The Committee should holistically consider all information from management, the control functions and sub risk committees; and report their recommendations to the Board.
  - The Committee should advise the Chairman of the Board on any other risk related matters as required.
  - The Committee's duties and activities during the year shall be disclosed in the Company's Annual Report and Accounts.
- **Key Inputs**
    - In order to discharge its responsibilities the Committee will request and be provided with information and reports. These reporting requirements will be reviewed at least annually.
    - The Committee will receive reports, in an appropriate format (which may include telephone conversations with the chair or attendance at meetings), from the Group Executive Risk Committee, Subsidiary Board Risk Committees and other information sources as required.
- **Key Outputs**
    - Recommendations to the Board and requests/recommendations to Subsidiary management on key risk matters.