

OLDMUTUAL

OLD MUTUAL LIMITED

RISK COMMITTEE

TERMS OF REFERENCE



Date: 3 December 2021

Version: 03



1. INTRODUCTION AND PURPOSE

- 1.1 It is acknowledged that, in terms of legislation (including the Financial Sector Regulation Act, 9 of 2017 and any standards issued pursuant thereto ("**FSR Act**")) and regulations, the Old Mutual Limited ("**OML or the Company**") board of directors ("**Board**") could be classified as a "**Controlling Board**" for the Old Mutual group of companies ("**Group**") or a "**Financial Conglomerate**" (as determined by the applicable regulatory authority) and as such, the Board will be responsible for, inter alia, ensuring that the Group maintains its business in a financially sound condition and ensuring that the structure of the Group does not impede the financial soundness of any of the companies in the Group or the ability of the regulatory authority to determine the risk profile of the Group and the manner in which its internal risk management is organised and conducted.
- 1.2 The Risk Committee ("**Committee**") is a committee of the Board, established to independently review, on behalf of the Board, management's recommendations on risk management, particularly in relation to the structure and implementation of the risk strategy, system of governance, risk management framework, any internal capital model, the quality and effectiveness of the related internal controls and reporting processes, risk appetite limits and exposures, and the overall risk profile of the business.
- 1.3 The deliberations and work of the Committee do not reduce the individual and collective responsibilities of the Board with regard to the fiduciary duties and responsibilities of the Company's directors, and the Board must continue to exercise due care and judgment in the exercise of its functions, in accordance with their statutory obligations.
- 1.4 These Terms of Reference are subject to the provisions of the Companies Act, 71 of 2008, as amended ("**Companies Act**") and the Companies Regulations, 2011 ("**Regulations**"), the FSR Act, OML's Memorandum of Incorporation ("**Mol**"), the Group Governance Framework ("**GGF**") and any other applicable laws and regulatory provisions.
- 1.5 The duties and responsibilities of the members of the Committee as set out in these Terms of Reference are in addition to those duties and responsibilities that they have as members of the Board.
- 1.6 Consistent with the functions set out in these Terms of Reference, the Committee should encourage continuous improvement as well as compliance with the Company's policies, procedures and practices at all relevant levels.
- 1.7 The Committee should facilitate and promote open communication among the senior management and the Board, in particular (without limitation) in respect of concentration



of the various risks to which the Company is exposed and build-up thereof, as identified by the Board.¹

2. **MANDATE**

- 2.1 The Committee is authorised by the Board to oversee and investigate any activity as contained in this Terms of Reference including but not limited to strategic, shareholder market, policyholder market, credit and counterparty (including concentration), liquidity, liability, business, currency, commercial, fraud and all operational risks including information technology (“IT”) risks.
- 2.2 The Committee has the scope and authority that extends to all activities in the OML Group in which credit risk or counterparty-credit risk, as defined in the risk taxonomy, are present.
- 2.3 The Committee's authority is derived from the delegated authority of the Board as contemplated in these Terms of Reference, in accordance with section 72(1)(b) of the Companies Act.
- 2.4 Save to the extent contemplated in paragraphs 2.2, 3.3 and 3.4.5, the Committee has no ultimate decision-making authority; it provides oversight and makes recommendations to the Board in respect of the matters within the scope of the Committee's functions as set out in these Terms of Reference, for the Board's consideration and, if the Board considers it appropriate, ultimate approval.
- 2.4 The Committee will have oversight and will ensure that the Company and its subsidiary companies comply with all risk related principles as set out in the GGF.
- 2.5 The Committee has decision making responsibilities for large deals over R2bn, from a risk profile and concentration risk perspective.
- 2.6 The Committee has monitoring responsibilities in respect of credit risk profile including concentration risk and credit quality
- 2.7 The Committee must act independently (with accountability to the Board) and does not assume the functions of management, which remain the responsibility of the executive directors of the Company, prescribed officers and other members of senior management.

¹ Prudential Standard GO12 Attachment 3.



- 2.8 The Board supports and endorses the Committee, which operates independently of management and is free of any organisational impairment. The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in these Terms of Reference.
- 2.9 The Committee is authorised by the Board to:
- 2.9.1 Investigate any activities within the scope of these Terms of Reference.
- 2.9.2 Seek any information it requires from any employee, the chairperson of any Board or statutory committees of the Company, any of the Company's executive directors, Company officers, the Group Company Secretary ("**Company Secretary**") or assurance providers, and all these parties are required to co-operate with any requests made by the Committee, to provide it with information or explanations necessary for the performance of its functions.
- 2.9.3 Form and delegate its duties to a sub-committee, sub-committees or to any one or more designated members of the Committee, to the extent that same is permitted by the Companies Act.

3. **ROLES AND RESPONSIBILITIES**

The Committee shall perform the following roles and have the following responsibilities:

- 3.1 **Risk Management System**
- 3.1.1 The Committee shall report to the Board on its activities, particularly identifying any matters in respect of significant risks where it considers that actions or improvements are needed and express an opinion on the adequacy of the related risk mitigation plans.
- 3.1.2 To monitor and express an opinion to the Board on the adequacy and effectiveness of the systems, processes, methodologies and tools of risk governance and risk management and internal control systems, including any internal capital model and any other such models as the Committee may deem relevant for the discharging of its obligations and the effective functioning of the Company's risk management processes.
- 3.1.3 To review and approve the strategy, policies and practices related to the management of liquidity risk at least annually and ensure that the Company's management manages liquidity risk effectively.



- 3.1.4 To review and express an opinion to the Board on annual operating plans for OML's overall risk management, forensics, compliance and second line of assurance actuarial function, ensuring that these functions are adequately resourced and have appropriate standing within the organisation.
- 3.1.5 To review and express an opinion to the Board on annual reports pertaining to the ability of the OML control functions to fulfil their mandates, including the adequacy of the resources at their disposal, the status of their annual work plans and any changes that need to be made to ensure they can operate effectively.
- 3.1.6 Approve the appointment, performance assessment, remuneration, disciplining and/or dismissal of the heads of the risk management, compliance and actuarial oversight control functions.
- 3.1.7 Receive reports and relevant matters for escalation from the chairpersons of the risk committees of all material subsidiary companies as the Committee may, from time to time, determine.
- 3.1.8 Review and recommend the overall Risk Strategy to the Board.
- 3.1.9 Ensure the establishment of risk management, compliance and actuarial oversight control functions as well as the forensic function, structured with the necessary authority, independence, resources, expertise, Board access, resources and information.

3.2 **Risk Measurement Methodology**

- 3.2.1 To review, approve and recommend to the Board for approval, the methodologies used to identify, assess, measure, monitor and report on risks, including methods used for the calculation of risk exposures, capital requirements, scenario analysis and stress testing, and the identification and recording of actual losses.
- 3.2.2 Risk Assessments
 - 3.2.2.1 Evaluate the adequacy and effectiveness of the risk management system,² including to review, monitor and challenge the actual assessment and reporting of risks, trends and concentrations, including risk profiles, exposures, capital requirements, risk events, assessments and indicators and any associated attestations and letters of representation.

² Prudential Standard GO12 Attachment 3



- 3.2.2.2 Review, approve and recommend to the Board for approval, proposals on the setting of risk appetite limits, including specific limits that may be set for material subsidiaries or other material business operating entities that form part of OML.
- 3.2.2.3 Monitor the alignment of risk appetite of OML's business strategy and planned business activities.
- 3.2.3 Risk Management
 - 3.2.3.1 Assist the Board in developing its risk management strategy, including through reviewing and approving the strategy, policies and practices related to the management of market risk at least annually and ensuring that the Market Risk Management Framework ensures effective market risk management.
 - 3.2.3.2 To review, monitor and challenge the adequacy and effectiveness of management plans and associated actions in response to identified risks, exposures, trends and concentrations.
 - 3.2.3.3 Adopting and overseeing the effective implementation of applicable risk management policies of the OML Group, including the OML Fit and Proper Policy and ensuring that there are appropriate policies and procedures in place in the OML Group to oversee that managing executives promote a culture of sound risk management, compliance and policyholder protection.
 - 3.2.3.4 To review and approve the OML Risk Policies including any significant changes to these policies.
 - 3.2.3.5 To review and approve any other Risk and Compliance related OML Policies, that are required by law to be approved by the Board, including any significant changes to these policies.
 - 3.2.3.6 Receive reports relating to significant risk policy non-compliances and obtain assurance that appropriate remedial management actions are being taken.
 - 3.2.3.7 To co-ordinate the monitoring of risk management on a Company-wide and individual business unit basis³.

³ Prudential Standard GO12 Attachment 3



3.2.3.8 To make recommendations to the Board in relation to its approval of any risk strategy action plans that may be required in order to bring risk exposures within appetite, or in order to increase exposure where it is excessively below appetite. The Committee will, together with the OML Executive Risk Committee, provide oversight over the risk exposure and target risk profile (of which insurance risk is a part) of the Group.

3.2.3.9 To review and confirm to the Board that due diligence investigations are carried out for proposed strategic acquisitions or disposals, for new business ventures, including the introduction of significant new products and/or the entering of new geographic markets, and to assess the thoroughness and major conclusions thereof, including the potential impact on OML's risk profile, risk exposures and capital requirements.

3.2.4 Risk and Remuneration

Advise and make recommendations to the Board and the Board's Remuneration Committee on the relationship between performance objectives, remuneration decisions and the risk profile, including the risk adjusted performance measures.

3.3 **Capital Management**

The Committee shall be ultimately responsible for providing oversight over optimal capital management across the Group. As such the Committee must:

3.3.1 Ensure that the Group maintains an appropriate level of capital in line with regulatory requirements, the Group's strategic plan and risk profile (capital risk appetite per the Group's risk strategy document).

3.3.2 Periodically review and approve the OML Capital Management Risk Policy.

3.3.3 Oversee the implementation of an Own Risk and Solvency Assessment ("**ORSA**") mechanism and related policies and procedures.

3.3.4 Review and approve capital distributions as well as capital raising throughout the Group.

3.3.5 Review and approval the OML Own Risk and Solvency Assessment ("**ORSA**") report.



3.4 **Regulatory Compliance and Litigation**

- 3.4.1 To monitor and review the Group's compliance with legal and regulatory provisions, the MOI and the rules established by the Board, if any, and any significant breaches thereof.
- 3.4.2 To monitor and review the regulatory compliance processes and procedures, providing oversight over the reporting and adequacy of management actions to correct reported compliance breaches, including the completion of any formal risk mitigation programmes agreed with the relevant regulator and report any variances to the Board.
- 3.4.3 To monitor and review major litigation and other material legal issues.
- 3.4.4 Make recommendations to the Board in relation to the adoption of non-binding rules, codes and standards addressing governance compliance approach and method, and a policy that gives effect to the direction which outlines which non-binding rules, codes and standards have been adopted.
- 3.4.5 Report to the Board at least quarterly, on any significant imminent changes to laws and regulations in order to understand the potential impact on the Group.
- 3.4.6 Obtain from management aggregated reports on known material compliance risks and occurred breaches.
- 3.4.7 Disclose non-compliance and penalties as and when identified or received.
- 3.4.8 Ensure that there are systems and controls in place to facilitate timely and effective communications with regulators on the governance framework and its key components.

3.5 **Credit Risk**

- 3.5.1 The Committee shall review and monitor:
- that processes are in place to manage, price and control credit risk
 - Group credit policies, credit limits and guidelines at least on an annual basis
 - the credit risk appetite metrics used and the targets set and to compare the actual credit risk profile against these
 - the appropriateness and effectiveness of the Group Credit Risk Framework,



including the adequacy of the credit personnel and the composition of the credit committees in the subsidiaries as recommended by the OML Risk and Actuarial Director

- reasons for credit losses above the levels set by the Committee, and
- credit risk management information and trends

3.6 **Other Requirements**

3.6.1 To assist the Board in (i) identifying any build-up and concentration of the various risks to which the Company is exposed; and (ii) identifying and monitoring all material risks to ensure that its decision-making capability and accuracy of its reporting is adequately maintained.⁴

3.6.2 Facilitate and ensure the independence of the risk management function.

3.6.3 To receive and review reports regarding IT risks and to oversee the broader risk implications of IT in relation to the Company.

3.6.4 Review and monitor that appropriate frameworks, procedures, structures and governance are in place for the consolidation, monitoring, management and reporting of IT risks and exposures on a Group basis.

3.6.5 Review and assess the appropriateness of OML's procedures for handling ethics breaches and whistleblowing, and approve the Mandate of OML Group Forensic Services, including the mandate to conduct internal investigations.

3.6.6 Consider any other risk-related matters as may be requested by the Board.

3.6.7 The Committee should be available at all times to advise the chairperson of the Board on all risk-related matters.

3.6.8 The Committee will receive and review reports, in an appropriate format, from the OML Risk Director, and any other sources that the Committee considers necessary in order to fulfil its remit.

3.6.9 The Committee will annually consider and present to the Board a register of the Company's key risks including key sustainability risks.

⁴ Prudential Standard GOI2 Attachment 3.

⁵ Prudential Standard GOI2 Attachment 3.



- 3.6.10 The Committee will receive and review reports from key subsidiaries' relevant risk and relevant credit risk committees and provide guidance or return feedback on relevant discussions, as required and determined by the Committee from time to time.
- 3.6.11 The Committee will ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.
- 3.6.12 The Committee should ensure that the Company's management considers and implements appropriate risk responses.
- 3.6.13 The Committee should ensure that appropriate resources are directed towards areas of high risk.
- 3.6.4 The Committee will (at least every second year) review the Company's insurance policies and other risk transfer arrangements, including any applicable internal audit reports on same, and consider whether adequate and appropriate coverage is in place.
- 3.6.15 The Committee will review the business resilience planning process within the Group and consider whether material risks have been identified and that appropriate contingency plans are in place.
- 3.6.16 Make recommendations to the Board, including to any of the Board's committees as may be appropriate, and make requests to responsible OML executives, on any matter within its remit.
- 3.6.17 The Committee shall have line of sight of the terms of reference for subsidiary Risk and Credit Committees (or such other committees which perform a similar function) in the Group.⁵

4. **OPERATION OF THE COMMITTEE**

4.1 **Appointment and Tenure**

- 4.1.1 The Committee and its Chairperson ("**Committee Chairperson**") shall be appointed by the Board from amongst the executive and non-executive directors of the Company.
- 4.1.2 Notwithstanding paragraph 4.1.3 below, the Board may at any time remove a member of the Committee and shall from time to time review and, where



appropriate, revise the composition of the Committee, taking into account the need for an adequate combination of skills and knowledge.

4.1.3 The maximum tenure for committee members is three terms of three years.

4.2 Composition and Quorum

4.2.1 The Chairperson of the Board may be a member of the Committee, but may not be the Committee Chairperson.⁶ The Committee shall consist of not less than four members, of which at least three shall be non-executive directors and a majority of whom must be independent. The Committee Chairperson must be an independent director.⁷

4.2.2 There will be some cross-membership between this Committee and the Audit Committee of the Company, with the chairperson of each of the committees serving as a member of the other, but no person shall be the chairperson of both committees at the same time.

4.2.3 Members of the Committee will be considered and appointed based on an adequate combination of risk management, financial, technological, financial and business skills and knowledge. The Board shall from time to time review and, where appropriate, revise the composition of the Committee in accordance with recommendations received from the Corporate Governance and Nominations Committee, taking into account the need for an adequate combination of financial and business skills and knowledge.

4.2.4 The Board shall determine the period for which the Committee Chairperson shall hold such office.

4.2.5 The quorum at any meeting of the Committee shall be a majority of members.

4.3 Attendees

4.3.1 The following individuals will normally be in attendance at Committee meetings:

The OML Chief Executive Officer; and

OML Risk and/or Chief Actuary.

⁶ Prudential Standard GOI2 Attachment 3.

⁷ Prudential Standard GOI2 Attachment 3.



4.3.2 Invitations to attend Committee meetings will be extended to all Board members, any senior executives and professional advisers as deemed appropriate by the Committee.

4.3.3 The Committee may secure the attendance, at Committee meetings, of non-Committee members with the relevant experience and expertise where necessary, at the Company's expense, in accordance with any procedure developed by the Board for this purpose.

4.3.4 The Company Secretary shall be the secretary of the Committee.

4.4 **Frequency of Meetings**

4.4.1 Meetings of the Committee shall be held at least four times a year prior to scheduled OML Board meetings, at which Board meetings the Committee Chairperson will present a report on the activities of the Committee.

4.4.2 The Committee Chairperson may, within the framework of any relevant directives set by the Board, convene a meeting of the Committee at any time and at his/her discretion.

4.4.3 The Committee or its Chairperson should meet at least once annually, or as requested, with the OML Risk and/or Actuarial Directors, OML Group Compliance Officer, the OML Head of Group Forensic Services and the internal auditors in separate sessions, to discuss any matters that the Committee or these individuals believe should be discussed with the Committee.

4.5 **Participation and resolutions**

4.5.1 Committee members who are unable to attend Committee meetings shall inform the Committee Chairperson or Company Secretary at an early date.

4.5.2 Committee meetings may be conducted entirely by electronic communication or a Committee member may participate in a meeting by electronic communication, as contemplated in section 73(3) of the Companies Act (including by means of, inter alia, telephone, closed circuit television, webinar or video conferencing), so long as the electronic communication facility employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate effectively in the meeting.

4.5.3 Committee members should participate fully and constructively in discussions and other activities and contribute by sharing their knowledge, skills and abilities.



- 4.5.4 Each Committee member has one vote on a matter before the Committee.
- 4.5.5 A majority of the votes cast on a Committee resolution is sufficient to approve that resolution and, in the case of a tied vote, the Committee Chairperson shall not have a casting vote and the matter being voted on fails.
- 4.5.6 A Committee resolution in writing (round robin resolution) signed by the majority of the Committee members shall be as valid and effectual as if it had been passed at a Committee meeting.
- 4.5.7 The passing of Committee round robin resolutions must not detract from the requirement for frequency of Committee meetings as set out in these Terms of Reference.
- 4.5.8 All Committee round robin resolutions should be tabled at the next Committee meeting for noting.

4.6 **Agenda, meeting papers and minutes**

- 4.6.1 The procedure to be followed for the convening of meetings, notice of meetings, and preparing agendas and minutes of meetings (to the extent not regulated in these Terms of Reference) will be determined from time to time and managed by the Company Secretary, in consultation with the Committee Chairperson and the Board.
- 4.6.2 To the extent reasonably practicable, Committee papers will be circulated to all Committee members at least one week before the meeting and full and appropriate information will be supplied to Committee members by way of succinct position papers or reports with the Committee pack to enable Committee members to form an opinion on the issues on the agenda prior to the meeting and, if necessary, to request additional information before the meeting. Additional documentation may be circulated to Committee members prior to the Committee meeting and will, to the extent applicable and appropriate, be clearly labelled to indicate that such documentation constitutes additional but non-essential reading.
- 4.6.3 The Company Secretary shall keep appropriate records of all meetings of the Committee as well as minutes of the proceedings and all decisions made.
- 4.6.4 Minutes of the Committee meetings, signed by the Committee Chairperson, shall be sufficient evidence that the matters referred to therein have been fully discussed and agreed, whether by way of a formal meeting or otherwise.



4.6.5 The Company Secretary shall circulate the minutes of the meetings of the Committee to all members of the Committee and to the Chairperson of the Board. Any director of the Company may, upon request to the Company Secretary, provided that there is no conflict of interest, obtain copies of the Committee's meeting agenda and minutes.

5. **COMMITTEE WORK PLAN**

An annual work plan will be prepared for the Committee and a list of issues which needs to be considered by the Committee annually will be tabled at the first Committee meeting of each year. The agenda for discussion of these issues will be spread over the meetings of the year so that each of these issues are addressed at least once a year. The work plan will be formulated by the Committee Chairperson, in consultation with the Company Secretary.

6. **TRAINING**

The Committee, via the 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.

7. **COMMITTEE EVALUATION**

The Committee will be independently evaluated as required by legislation and/or best practice governance and actions from the evaluation should be agreed and implementation tracked and reported to the Board.

8. **ACCESS TO RESOURCES AND INFORMATION**

8.1 The Committee has unrestricted access to Company information falling within the Committee's mandate and will liaise with management on its information needs and the appropriate reports and information that it should receive to enable it to review and monitor and report on any matters relating to risk and regulatory compliance and litigation matters.

8.2 With the prior notification to the Committee Chairperson or the Chairperson of the Board, the Committee or any of its individual members, may take outside legal, accounting or other independent professional advice on matters relating to matters within the Committee's mandate, at the expense of the Company, in accordance with any procedure developed by the Board for this purpose. A formal mandate is to be entered into between such independent advisor and the Company to be facilitated by the Company Secretary.



9. **REPORTING**

- 9.1 The Committee Chairperson shall report to the Board at the first Board meeting following the last Committee meeting on the activities of the Committee.
- 9.2 The Committee shall report on an annual basis to the shareholders through the Integrated Annual Report on the following items:
- 9.2.1 The Committee's overall role and associated responsibilities and function.
 - 9.2.2 Its composition, including each member's qualifications and experience.
 - 9.2.3 Any external advisers or invitees who regularly attend the Committee meetings.
 - 9.2.4 Key areas of focus during the reporting period.
 - 9.2.5 The number of meetings held during the reporting period and attendance at those meetings.
 - 9.2.6 Whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with its Terms of Reference for the reporting period.
- 9.3 The Committee Chairperson shall be required to attend the Company's annual general meeting to answer relevant questions posed by shareholders.
- 9.4 Members of the Committee must be available to meet with the relevant financial sector regulators, in particular the Prudential Authority, on request.⁸

10. **GENERAL**

- 10.1 The Committee members are obliged to disclose to the Committee in writing, any personal financial interest (as contemplated in section 75 read with section 1 of the Companies Act) and any other interests they have within or outside the Company and the Group that may be of interest to the Company or that may interfere or conflict with the performance of their duties as members of the Committee; provided that this is not applicable to any Committee members to the extent that they are directors of the Company and have disclosed such interests in accordance with paragraph 11 of the Board Charter and section 75 of the Companies Act.

⁸ Prudential Standards GOI2.



- 10.2 All Company and Group related information that becomes known to directors in the performance of their duties must at all times be kept confidential.
- 10.3 Except to the extent of legal or regulatory provisions to the contrary, Committee members, being non-executive directors, are entitled to rely on the executives of the Company and those of other entities within the Group in relation to matters within their area of expertise and may assume the accuracy of information provided by such persons, provided that the Committee member is not aware of any reasonable grounds upon which reliance or assumption may be inappropriate.

11. **APPROVAL OF THE COMMITTEE TERMS OF REFERENCE**

- 11.1 The Committee shall review its Terms of Reference annually and amend them as appropriate, subject to approval from the Board.
- 11.2 These Terms of Reference were recommended to the Committee for approval by the Committee Chairperson on 30 November 2021 and approved by the Board on 3 December 2021 and will be due for review in November 2022.