

Terms of Reference - Board Risk Committee

1. Membership

- 1.1 The Committee shall comprise at least three members. The Committee shall include the Chairman of the Audit Committee and a minimum of one member of the With Profits Committee. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Board Risk Committee.
- 1.2 The majority of the members of the Committee shall be independent; all members of the Committee shall be non-executive directors. At least one member of the Committee shall have recent and relevant experience of Risk Management in the financial services industry. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive, Finance Director and Risk Director will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The Head of Group Internal Audit will be invited to attend all meetings at the discretion of the Chairman.
- 1.5 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1 The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least four times a year, and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Committee Chairman, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, Chief Executive, Finance Director and Risk Director.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the Risk Director if they consider it necessary.
- 5.2 Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other directors no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members, to all other directors and to other attendees as appropriate, at the same time.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be agreed with the Committee Chairman and then circulated promptly to all members of the Committee and to all members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chairman.

7. Interaction with Members

- 7.1 The Committee Chairman shall attend the Annual General Meeting to answer relevant questions from members.
- 7.2 The Committee Chairman shall engage, as appropriate, with members on significant matters related to the duties of the Committee.

8. Duties

The Committee has oversight of the Group as a whole and, unless required otherwise by regulation, should carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole.

8.1 Compliance

The Committee shall:

- 8.1.1 Monitor compliance with relevant regulations as set by the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA), and other regulatory bodies that may be appropriate to the operations of the Group;
- 8.1.2 Ensure that regulators are informed of any relevant notifiable matters that occur within the Group.

8.2 Financial Reporting

The Committee shall:

Consider, and approve where necessary, information that is presented with financial statements relating to risk management policies and key risk exposures and ensure it is in accordance with regulatory requirements and financial reporting standards.

8.3 Narrative Reporting

Where requested by the Board, the Committee should review the content of the Solvency and Financial Condition Report (SFCR), Company Annual Report and Accounts or any other relevant reporting where concerned with risk.

8.4 Internal Controls and Risk Management Systems

The Committee shall:

- 8.4.1 Advise the Board on the Group's overall risk management framework and strategy.
- 8.4.2 Recommend the Group framework of risk appetites and constraints to the Board for approval.
- 8.4.3 Keep under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used.
- 8.4.4 Ensure that the material risks facing the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively. In doing so account should be taken of the current and prospective legal, regulatory, macroeconomic and financial environment, drawing on financial stability assessments such as those published by the Bank of England, PRA, FCA, and other authoritative sources that may be relevant.
- 8.4.5 Recommend to the Board appropriate action to be taken in the event of a breach of risk appetite.
- 8.4.6 Approve and monitor compliance with the Own Risk and Solvency Assessment (ORSA) policy.
- 8.4.7 Maintain oversight of the processes and procedures in place to ensure the appropriateness, completeness and accuracy of the data used in the calculation of technical provisions and for ensuring that best estimates and best estimate assumptions are regularly compared against experience;
- 8.4.8 Maintain oversight of the application of regulatory waivers;
- 8.4.9 Provide oversight and challenge of the design and execution of stress and scenario testing.
- 8.4.10 Review and challenge risk information received from the Group Risk Management, Compliance and Actuarial functions to ensure that the Group is not exceeding the risk appetite set by the Board.

- 8.4.11 Consider the remit of the Group Risk Management Function, Compliance Function and Actuarial Function and ensure they have adequate resources and appropriate access to information to enable them to perform their functions effectively and in accordance with the relevant professional standards. The Committee shall also ensure the functions have adequate independence and are free from management or other restrictions.
- 8.4.12 Instruct the Risk Management, Compliance and Actuarial Functions, where required, to carry out a review of activities that are within its terms of reference and oversee such investigation.
- 8.4.13 The Committee shall consider any other matters requested by the Board from time to time.
- 8.4.14 Provide oversight to, and monitor the performance of, Risk Committees within the context of the Group's strategy, risk appetite and their respective terms of reference.

8.5 **Internal Model**

The Committee shall:

- 8.5.1 Review, challenge and approve the Internal Model Report.
- 8.5.2 Use the Internal Model results to review and recommend changes to the risk appetite and confirm risk exposures.
- 8.5.3 Review and approve the Internal Model Validation Report setting out whether or not the data, methods, assumptions and outputs are reasonable.
- 8.5.4 Ensure the Internal Model is widely used and plays an important role in the economic and solvency capital assessment and allocation processes, including ORSA; as well as the risk management, capital management, financial management, strategic planning, risk mitigation and investment strategy.

8.6 **Risk Director**

The Committee shall:

- 8.6.1 Act as a reporting line, alongside internal line management reporting, for the Risk Director in respect of risk management and the oversight process at the highest level.
- 8.6.2 Recommend to the Board the appointment and/or removal of the Risk Director.
- 8.6.3 Provide input into the Risk Director's annual performance appraisal.
- 8.6.4 Review promptly all reports on the Company from the Risk Director.

- 8.6.5 Review and monitor management's responsiveness to the findings and recommendations of the Risk Director.
- 8.6.6 Ensure the Risk Director has direct access to the Chairman of the Board.
- 8.6.7 Meet the Risk Director at least once a year, without management being present, to discuss his/her remit and any issues arising.

9. Reporting Responsibilities

- 9.1 Minutes must be circulated promptly to members of the Committee and include details of decisions taken and actions agreed.
- 9.2 Minutes will also be submitted for noting to the Board.
- 9.3 The Committee Chairman shall report to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.
- 9.4 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.5 A report of the Committee's activities and the Group's risk management and strategy that will be included in the Company's annual report.
- 9.6 The Chairman will arrange to communicate with subordinate committees on any matters arising from the Board Risk Committee.
- 9.7 The Audit Committee will, on an annual basis, provide a view on the internal control environment based on its findings over the previous 12 months for the consideration of the Committee.

10. Other Matters

The Committee shall:

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 10.2 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;
- 10.3 Give due consideration to laws and regulations and the provisions of the UK Corporate Governance Code, as appropriate;
- 10.4 Oversee any investigation of activities which are within its terms of reference;
- 10.5 Work and liaise as necessary with all other Board Committees, taking particular account of the impact of risk management and internal controls being delegated to different Committees;

- 10.6 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

11. Authority

The Committee is authorised to:

- 11.1 Seek any information it requires from any employee of the Company in order to perform its duties;
- 11.2 Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.3 Call any employee to be questioned at a meeting of the Committee as and when required;
- 11.4 Have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.