



**LIBERTY**

LIFE INVESTMENTS HEALTH CORPORATE PROPERTIES ADVICE

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## **GROUP RISK COMMITTEE MANDATE**

Mandate submitted for approval by the Committee

<b>Level</b>	Liberty Holdings Limited
<b>Approving committee</b>	Group Risk Committee
<b>Date</b>	20 November 2017
<b>Final approval</b>	Directors' Affairs Committee
<b>Date</b>	February 2018

## 1. **Constitution**

- 1.1 The Committee is constituted as a committee of the Board of Liberty Holdings Limited and Liberty Group Limited and operates under delegated authority.
- 1.2 The Committee's responsibilities cover Liberty Holdings Limited, Liberty Group Limited and all subsidiaries.

## 2. **Purpose**

The Board is primarily responsible for the governance of risk and capital, and delegates to management the responsibility for the management of risk and capital, including the design, implementation and monitoring of plans and processes. The Board has delegated authority to the Risk Committee to provide independent and objective oversight of risk and capital management across the Group.

In order to achieve this, the Committee must:

- Take steps to understand and ensure that management understands the shape and texture of the company's risks;
- Approve policies and processes that are designed to keep the effect of risks to an acceptable level;
- Ensure that rewards are commensurate with risk in each major area of the business;
- Ensure that there is compliance with risk policies and processes;
- Ensure that capital is sufficient at all times.

## 3. **Composition**

- 3.1 The Committee shall comprise of at least three members, the majority of whom will be independent non-executive directors of the company.
- 3.2 The chairman will not be the Board chairman but will be an independent non-executive director, appointed by the Board.
- 3.3 A minimum of one member, preferably the chairman, must be a member of the Audit and Actuarial Committee.
- 3.4 The secretary shall be the group secretary.
- 3.5 Attendance at meetings:

External auditors  
Financial director  
Chief risk officer  
Head of internal audit  
Group compliance officer

- 3.6 By invitation:

Board chairman  
Chief executive  
Executive directors as required  
Executive management as required  
Chairman of the Audit and Actuarial Committee, if not a member

Representative/s from the major shareholder

- 3.7 If necessary, and in accordance with group policy, specialists may be co-opted to the Committee.
- 3.8 The remuneration (which refers to attendance fees, Board fees and any additional remuneration) of the Chairman and the Committee members will be recommended by the Remuneration Committee and endorsed by the Board for the ultimate approval of shareholders.
- 3.9 Committee members shall attend all scheduled meetings of the Committee including meetings called on an ad hoc basis unless prior apologies, with reasons, have been submitted to the chairman or company secretary.
- 3.10 Conflicts of interest of any member of the Committee shall be disclosed at the commencement of each meeting and recorded in the minutes of that meeting.

#### **4. Quorum**

- 4.1 The quorum will be three members.

#### **5. Term**

- 5.1 The Board shall review and approve the chairman and members of the Committee at least once a year.
- 5.2 The Board shall have the power at all times to remove any members from the Committee and to fill any vacancies created by such removal.

#### **6. Reporting Responsibilities**

- 6.1 The Committee reports to the Board through its chairman and to the shareholders through the Board.
- 6.2 If the appointed chairman is not present at a meeting, the members present must elect one of the members present to act as chairman.
- 6.3 Minutes of the meetings will be submitted to the Board.
- 6.4 The Committee must provide information to the Board to enable it to report on the effectiveness of the systems and processes of risk management in the integrated report.
- 6.5 The chairman, or alternatively a member, shall be present at the Liberty Holdings Annual General Meeting to answer questions from shareholders.
- 6.6 The Committee shall express an opinion annually to the Board on the adequacy and effectiveness of its own performance.
- 6.7 The following will be disclosed annually in the Integrated Report;
  - 6.6.1 An overview of the arrangements for governing and managing risk.
  - 6.6.2 Key areas of focus during the reporting period, including objectives, the key risks that the organisation faces, as well as undue, unexpected or unusual risks and risks taken outside of risk tolerance levels.

- 6.6.3 Actions taken to monitor the effectiveness of risk management and how the outcomes were addressed.
- 6.6.4 Planned areas of future focus.

## **7. Authority**

The Committee shall have authority to:

- 7.1 Access any information it needs to fulfil its responsibilities.
- 7.2 Seek independent advice at the group's expense, subject to approved policy.
- 7.3 Investigate matters within its mandate and delegate its authority and duties to sub-committees or individual members of the Committee as it deems appropriate provided it is not precluded from doing so by legal or regulatory requirements.
- 7.4 Access the Board chairman, chief executive, executive directors, head of internal audit, financial director, chief risk officer, the external auditors and other management as required.
- 7.5 Consult with, and receive the full co-operation of, any employee where necessary to fulfil its responsibilities including attendance by employees at Committee meetings if so required.

## **8. Procedure**

- 8.1 Meetings will be held as frequently as the Committee considers appropriate but not less than four times a year.
- 8.2 Ad hoc meetings will be convened, as-and-when required, by the group secretary, at the request of the chairman.
- 8.3 The quorum must be present throughout the meeting.
- 8.4 Reasonable notice of meetings and the business to be conducted shall be given to members and attendees.
- 8.5 Papers for consideration by the Committee will be submitted, in the normal course, at least four days before the meeting to enable members to study the documentation and allow adequate opportunity for formal and informal discussions.
- 8.6 Minutes of the meeting shall record the proceedings and decisions taken, and declarations of personal interests made, together with how these were addressed.
- 8.7 Members may participate in a meeting by electronic means.
- 8.8 Round robin approvals may be obtained where there is a business requirement for a decision which cannot reasonably be held over until the next scheduled Committee meeting. Decisions must be received from at least a majority of members being not less than the quorum requirement. This may be achieved by electronic means and will be of full force and effect as if passed by a majority of members personally present. If there are any votes against the resolution, paragraph 8.9 will apply.
- 8.9 Decisions will be based on consensus. In the event that there is no consensus, the chairman of the Committee will refer the matter to the Board for a decision.
- 8.10 The chairman will hold periodic meetings with the chief risk officer, head of internal audit,

group compliance officer, chief financial officer, group financial director and chief information officer.

8.11 The chief risk officer shall have unrestricted access to the chairman or any other member of the Committee in relation to matters falling under the mandate of the Committee.

8.12 This mandate may be amended as required, subject to approval of the Board.

## **9. Terms of reference**

The responsibilities delegated to the Committee by the Board are to:

9.1 Understand and ensure that management understands the nature and impact of the group's risks by:

9.1.1 Reviewing the group's top risks as identified by management and reviewed by the Group Risk Oversight Committee, and recommending acceptance of these top ten risks by the Board. These should cover at least -

- 9.1.1.1 Insurance risk;
- 9.1.1.2 Market risk;
- 9.1.1.3 Credit risk;
- 9.1.1.4 Liquidity risk;
- 9.1.1.5 Operational risk;
- 9.1.1.6 Regulatory risk; and
- 9.1.1.7 Legal risk.

9.1.2 Reviewing stress and scenario tests. The Committee should ensure that -

- 9.1.2.1 the range of scenarios tested is sufficiently wide and challenging;
- 9.1.2.2 it is understood what stresses would "break the bank"; and
- 9.1.2.3 the impact of combinations of different events is understood.

9.1.3 Reviewing product designs where appropriate, particularly in cases where there is a significant change to the business being written. The Committee is not responsible for product designs, but should ensure that it is understood which products involve the taking on of risk, which risks are taken on, and what mitigating factors have been assumed in the designs.

9.1.4 Reviewing the group's capital position and the adequacy thereof. The Committee should understand how much capital is required by the company, and for which products, and what risk capital is being held.

9.1.5 Reviewing economic and competitor environment.

9.1.6 Reviewing significant transactions entered into by the group, inter alia, the issue of new shares to the public, transactions that change the control structure of the group and acquisitions and disposals of group companies and consider the impact on capital.

9.1.7 In respect of the Shareholders' Investment Portfolio, the Committee shall be responsible for monitoring:

- 9.1.7.1 the effectiveness of executive controls and monitoring of the investment processes as they apply to the Shareholders' Investment Portfolio;
- 9.1.7.2 that the risk profile of the Shareholders' Investment Portfolio is within risk appetite.

9.1.8 Exercising ongoing risk management and providing oversight on the following:

- 9.1.8.1 an assessment of risks and opportunities emanating from the triple context of the group, and the capital that the group uses. an assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving objectives; and

- 9.1.8.2 an assessment of the group's dependence on resources and relationships as represented in various forms of capital.
- 9.2 Approving policies and processes which mitigate risks to acceptable levels. The Committee will –
- 9.2.1 Ensure the establishment of independent risk and capital management functions at the group level, which shall act as the reference point for all issues relating to risk and capital management within the group.
  - 9.2.2 Make recommendations to the Board concerning the levels of risk tolerance and appetite and formally recommend the risk appetite statement for approval by the Board.
  - 9.2.3 Ensure that management implement specific limits or tolerance levels that are aligned with those overall risk appetite levels set by the Board.
  - 9.2.4 Ensure the establishment of and approve the standards, policies, controls and processes to identify, measure and mitigate all material risks as identified in Section 9.1 so as to ensure that the company operates within its risk appetite, and refer them to the Board for approval where appropriate.
  - 9.2.5 Satisfy itself that risk matters have been appropriately taken into account in the establishment of the company's strategy and annual plan.
  - 9.2.6 Approve all risk governance standards including those policies required by statute and refer these to the Board for approval, where appropriate.
  - 9.2.7 Review the adequacy of short term insurance coverage.
  - 9.2.8 Review reports on the group's risk business reinsurance retention limits.
  - 9.2.9 Review the risks of business continuity and disaster recovery plans and ensure that adequate mitigation plans are in place.
  - 9.2.10 Provide to the Audit and Actuarial Committee commentary on the most important risk controls in order that the Audit and Actuarial Committee can appropriately plan the work of internal audit.
- 9.3 Ensure that the rewards are commensurate with risk undertaken:
- 9.3.1 Review semi-annually the risks, actual and likely returns, and capital allocated to each major area of the business, and
    - establish the returns appropriate to each risk;
    - advise the Board as to the effectiveness and efficiency of the company's progress, in order to optimise current and future returns to shareholders.
  - 9.3.2 Ensure a process is implemented which ensures that the individual entities in the group are adequately capitalised given risks assumed as well as minimum regulatory capital requirements and business plans.
- 9.4 Ensure that risk policies, procedures and processes are complied with. The Committee will -
- 9.4.1 Ensure continual risk monitoring and assessment by management, which will include:
    - reviewing progress against and breaches of the policies and processes established under 9.2 above;
    - reviewing remediation of breaches;
    - reviewing the overall effectiveness of risk controls;

- monitoring changes in the internal and external environment;
- reviewing the procedures for identifying regulatory risks and their impact on the group;
- analysing and learning lessons from trends, failures, etc; and
- identifying emerging risks and ensuring that management considers and implements appropriate risk responses to emerging events.

Reports from management to the Committee are expected to provide a balanced assessment of the key risks facing the company and the effectiveness of ensuing risk responses and interventions.

- 9.4.2 Review written reports furnished by management which evidence the effectiveness of the group's risk and capital management functions and its implementation by management. Any significant control failings or weaknesses identified should be included as well as their potential impact. Based on this, the Committee will provide assurance to the Board regarding the effectiveness of the risk management process.
- 9.4.3 Management is accountable to provide the Board with assurance that it has implemented and monitored its risk management obligations and that it is integrated in the day to day activities of the company.
- 9.4.4 Ensure that there are processes in place to enable timely, relevant, and accurate risk disclosure to stakeholders via the Board; recommend to the Board for disclosure in the integrated annual report any undue, unexpected or unusual risks and material losses and causes thereof, together with any current, imminent or envisaged risk that may threaten long term stability and sustainability (see 10 below).
- 9.4.5 Ensure that IT policies are established and implemented to promote an ethical IT governance culture and awareness and common IT language. This responsibility has been delegated to the Group Information Technology Committee (GITC).
- 9.4.6 Monitor procedures to deal with and review the disclosure of information to customers, the resolution of major customer complaints and compliance with the Financial Services Board including complying with the guidelines on "Treating Customers Fairly".
- 9.4.7 Liaise and provide information to the Audit and Actuarial Committee and Remuneration Committee to ensure that relevant key risks are taken into account in decision making in those committees in so far as they relate to the management of risk.
- 9.4.8 Ensure that the responsibilities of monitoring are clearly defined in the business plans.
- 9.4.9 Ensure that risk functions will be scrutinised by internal and external audit as follows:
- the internal audit function should provide independent assurance in relation to risk management. Internal audit does not assume functions, systems and processes of risk management but provides independent assurance to the Board on the integrity and robustness of the risk management process;
  - each year internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the Board; and
  - external audit may consult with the Committee, internal audit and the chief risk officer for an understanding of the company's risk management

activities to determine the extent that the external audit process may rely on the integrity of internal financial controls.

9.5 Ensure that capital is sufficient at all times:

- 9.5.1 The Committee will regularly receive reports on the capital adequacy position of the company and its subsidiaries and will ensure satisfactory levels of capital are maintained at all times.
- 9.5.2 The Committee will review reports as to the capital adequacy in the light of its plans, its risk profile and appetite, as well as any regulatory requirements.
- 9.5.3 The Committee will consider whether the company can afford to pay proposed dividends, and whether and in what form capital needs to be raised, and advise the Audit and Actuarial Committee of its view.

**10. Integrated Annual Report and Sustainability**

The Committee will -

- 10.1 Review the annual and interim risk disclosures to shareholders, to be included in the integrated annual report and advise the Board on their appropriateness. This will include disclosure in the integrated report where risk appetite has been materially exceeded or has deviated materially from risk tolerance levels, and a statement on the effectiveness of the system and process of risk management.
- 10.2 Consider the need for disclosure of any undue, unexpected or unusual risks undertaken in the pursuit of reward as well as any material losses and the causes of the losses. In this case, the Committee will consider management's endeavour to quantify the impact that these losses may have on the company and the responses and interventions implemented by the Board and management to prevent recurrence of these losses. The Committee will then make recommendations to the Board.
- 10.3 Advise the Board whether in its view there is any current imminent or envisaged risk that may threaten the long terms sustainability of the company.
- 10.4 Review the statement of key sustainability risks, responses to these risks and residual risks for inclusion in the annual report.

**11. Limitations**

- 11.1 The Committee is responsible to the Board of Directors of Liberty Holdings Limited and Liberty Group Limited for carrying out this mandate and to operate within the mandate specifically delegated by the Board.
- 11.2 Amendments may be made to the mandate as required, subject to Board approval.
- 11.3 The Committee provides an advisory service to the Board and has no executive authority unless specifically delegated by the Board.