



## **AIA Group Limited**

### **Terms of Reference for the Board Risk Committee**

AIA Restricted and Proprietary Information  
(Internal and Authorized Use Only)

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## Definitions

1. For the purposes of these terms of reference (these **Terms**):

**Affiliate** means, with respect to the Company, a body corporate which the Company controls;

**Audit Committee** means the audit committee established by the Board;

**Board** means the board of directors of the Company;

**Board Risk Committee** means the committee established by resolution of the Board in accordance with clause 2 of these Terms;

**Company** means AIA Group Limited;

**Directors** mean the members of the Board;

**Financial Risk** is the potential loss resulting from adverse movements in financial markets, changes in the financial condition of counterparties and in market liquidity to buy and sell investments. Financial Risk is subdivided into credit risk, market risk (which includes interest rate, credit spread, equity price, property price and foreign exchange rate risk) and liquidity risk;

**Financial Risk Committee or "FRC"** means the management committee established by the Board Risk Committee and appointed by the Group CE to oversee Financial Risk and Insurance Risk;

**Group** means the Company and its Affiliates;

**Group CE** means the Group Chief Executive of the Company appointed by the Board;

**Group Company Secretary** means the company secretary of the Company;

**Group CRO** means the senior officer of the Company responsible for risk management and Group Risk as appointed by the Group CE;

**Group Exco** means the management committee of executives of the Company appointed by the Group CE to assist him in the fulfilment of his duties;

**Group Risk** means the department that addresses balance sheet and risk issues for the Group;

**Insurance Risk** is the potential loss resulting from mortality, morbidity, persistency, longevity and adverse expense experience;

**Non-financial Risk** covers the potential for the Group's business to suffer through either key control failures, changes in the business environment or inadequate planning or management of infrastructure. The Group's non-financial risks comprise operational risk and strategic risk;

**Operational Risk Committee or "ORC"** means the management committee established by the Board Risk Committee and appointed by the Group CE to oversee Non-financial Risk;

**Remuneration Committee** means the remuneration committee established by the Board;

**Risk Allocations** means the Risk Tolerances for each category of risk between specific risks, products or businesses;

**Risk Appetite** means the variability in results that the Company is prepared to accept in support of a stated strategy;

**Risk Appetite Statement** means an overarching statement as to the Group's attitude to risk and expresses the Risk Appetite;

**Risk Management Framework** means the framework for the governance and management of risk within the Risk Appetite;

**Risk Metrics** means any measure, approach, quantitative technique, ratio or similar tool that is recognised by the Board as a measure of the levels and distribution of risk in the Group in the context of its Risk Appetite;

**Risk Preferences** means the Group's attitude to specific risks;

**Risk Principles** means qualitative statements that expand the Risk Appetite Statement;

**Risk Tolerances** means quantitative statements that validate the Risk Principles and thus the Risk Appetite Statement;

**Shareholders** mean the shareholders of the Company.

### **Constitution**

2. The Board Risk Committee was established by resolutions of the Board on 1 September 2010.

### **Membership**

3. The members of the Board Risk Committee shall be appointed by the Board from among the Directors and shall consist of a minimum of three members; at least two of whom (including the chairman of the Board Risk Committee) shall be independent non-executive Directors. The quorum for meetings of the Board Risk Committee shall be two members.
4. The chairman of the Board Risk Committee shall be appointed by the Board and shall be an independent non-executive Director.
5. The Group CRO shall be the risk manager of the Board Risk Committee to help provide and report risk profile and related information to the Board Risk Committee, and to coordinate the implementation of policy directives and instructions within the Group with the management and functional group heads as commissioned by the Board Risk Committee.

### **Frequency of Meetings**

6. The Board Risk Committee should meet often enough to undertake its role effectively, and schedule to meet not less than four times a year.

7. In addition, the chairman of the Board Risk Committee will call a meeting of the Board Risk Committee if so requested by any member of the Board Risk Committee, the chairman of the Audit Committee or the Chairman of the Board.

#### **Attendance at Meetings**

8. The Board Risk Committee may invite any executives of the Group to attend the meetings. The following persons (if appointed and not a member of the Board Risk Committee) are normally invited to attend:
  - Group CE
  - Group Chief Financial Officer
  - Group CRO
  - Group Chief Actuary
  - Group General Counsel
  - Group Internal Auditor
  - Group Company Secretary

#### **Annual General Meeting**

9. The chairman of the Board Risk Committee shall attend the Company's annual general meeting and be prepared to respond to any Shareholder's question on the Board Risk Committee's activities or in his absence, another member of the Board Risk Committee, or failing this, his duly appointed delegate.

#### **Overview of Risk Management Governance Structure for the Company**

10. The Board Risk Committee has established two management committees (the Financial Risk Committee or "FRC" and the Operational Risk Committee or "ORC", to provide oversight of all significant risk issues at the Company). These committees oversee the Company's internal risk management and ensure risks are managed in line with the Group's Risk Appetite. The FRC and ORC will report and provide information to the Group Exco and the Board Risk Committee.
11. The Company has also established the Group Risk function, headed by the Group CRO, to assist the Company's management, business unit leaders, the FRC, the ORC, the Board Risk Committee and the Board to identify, assess, quantify, manage and mitigate the risks arising from the business operations undertaken by the Company.

#### **Board Risk Committee Objectives**

12. The Board has, amongst other things, the responsibility to determine the Group's Risk Appetite including Risk Appetite Statement, Risk Principles, Risk Tolerances, Risk Allocations and Risk Preferences. The Board Risk Committee shall provide advice to and assist the Board in fulfilling such responsibility.
13. The Board Risk Committee shall oversee the Risk Management Framework and approve the Risk Metrics.
14. The Board Risk Committee shall advise the Board on risk-related issues or aspects as requested by the Board or, in the opinion of the Board Risk Committee, require Board attention.

**Board Risk Committee Responsibilities, Powers, Authorities and Discretion**

15. Without limiting the generality of the Board Risk Committee's objectives, the Board Risk Committee shall have the following responsibilities, powers, authorities and discretion in exercising non-executive oversight of risk:
  - a) To discharge its duties within these Terms including the creation, and necessary approval of any terms of reference of, management committees as the Board Risk Committee sees fit. It is authorised to seek the risk management information it requires from the Directors and/or the management of the Group who are directed to co-operate with the Board Risk Committee; and
  - b) To obtain external advice and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary. The Board Risk Committee should be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external risk management consultant who directly advises the Board Risk Committee.
  
16. In providing advice to the Board, the duties and responsibilities of the Board Risk Committee shall generally include the following:
  - (a) *Risk Management Framework*
    - (i) reviewing the effectiveness of the Risk Management Framework of the Group, including the allocation of resources to implement such framework; and
    - (ii) reviewing results of risk measures as reported by the Group CRO and to review and approve recommendations as suggested by the Group CRO or any outside professional advisor or Board members in relation to the risk management activities of the Group.
  
  - (b) *Transaction Review*
    - (i) reviewing the risks associated with significant changes as to the capital and financing structure of the Group as requested from time to time by any Director in consultation with the Chairman of the Board Risk Committee;
  
  - (c) *Support*
    - (i) the Board Risk Committee shall seek appropriate support from the FRC, ORC, Group CRO and Group Risk, together with advice and input from the management or functional group heads as deemed appropriate;
  
  - (d) *Other Board Risk Duties and Responsibilities*
    - (i) to undertake or consider on behalf of the Chairman of the Board or the Board such other related tasks or topics as the Chairman of the Board or the Board may from time to time entrust to it; and
    - (ii) to report to the Board on the matters set out in these Terms.

### **Relationship with Other Board Committees**

17. The chairman of the Board Risk Committee shall coordinate
  - (a) with the chairman of the Audit Committee to help ensure that both the Board Risk Committee and the Audit Committee have received all information necessary to permit them to fulfill their duties and responsibilities with respect to risk assessment and risk management; and
  - (b) with the chairman of the Remuneration Committee to help ensure that the Group's compensation and benefits arrangements are designed to provide incentives that are consistent with the interests of the Company's stakeholders but do not encourage senior executives to take excessive risks that threaten the value of the Group.

### **Reporting Procedures**

18. Full minutes of the Board Risk Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Group Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
19. Minutes of meetings of the Board Risk Committee shall record in sufficient detail the matters considered by the Risk Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Board Risk Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
20. Without prejudice to the generality of the duties of the Board Risk Committee set out in these Terms, the Board Risk Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

### **Terms Available**

21. The Board Risk Committee shall make available these Terms on request and by inclusion on the Company's website, thereby explaining its role and the authority delegated to it by the Board.