



AIA Group Limited

Terms of Reference for the Board Risk Committee

AIA Restricted and Proprietary Information

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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 CEO to oversee Financial Risk and Insurance Risk;

Group means the Company and its Affiliates;

Group CEO 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 CEO from time to time;

Group Exco means the management committee of executives of the Group appointed by the Group CEO 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;

Management means any persons discharging an executive management role within the Group;

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 CEO to oversee Non-financial Risk;

Remuneration Committee means the remuneration committee established by the Board;

Risk Appetite means the variability in results that the Group 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 Principles means qualitative statements that expand the Risk Appetite Statement;

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

Shareholders mean the shareholders of the Company.

Constitution

2. The Board Risk Committee was established by resolutions of the Board on 1 September 2010, the members of which shall be appointed by the Board from time to time.

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 are normally invited to attend:

- Group CEO
- Group Chief Financial Officer
- Group CRO
- Group Chief Actuary
- Group General Counsel
- Group Head of Internal Audit
- Group Company Secretary

9. At least four times per year the Board Risk Committee shall meet with the Group CRO separately without the executive Director(s) and other members of Management being present. The Board Risk Committee is also able to meet separately with any member of Management or anyone else they may wish to see.

Conduct of Meetings

10. Reasonable notice of a meeting of the Board Risk Committee shall be given. An agenda and accompanying meeting papers should be sent in full to all members of the Board Risk Committee in a timely manner and at least three days before the intended date of a meeting of the Board Risk Committee (or such other period as agreed by its members).
11. Management is obliged to supply the Board Risk Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a member of the Board Risk Committee requires more information than is provided by Management, the relevant member should make additional necessary enquiries. The Board and each member of the Board Risk Committee shall have separate and independent access to the Management.
12. A meeting may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
13. Matters arising at any meeting shall be decided by a majority of votes.
14. A resolution in writing signed or approved by a majority of all of the members of the Board Risk Committee shall be as effective for all purposes as a resolution of the members of the Board Risk Committee passed at a meeting duly convened, held and constituted.

Annual General Meeting

15. 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

16. 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 within the Group). These committees oversee the Group'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.
17. 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 Group.

Board Risk Committee Objectives

18. The Board has, amongst other things, the responsibility to determine the Group's Risk Appetite including Risk Appetite Statement, Risk Principles and Risk Tolerances, and to ensure that the Company establishes and maintains an appropriate and effective Risk Management Framework. The Board Risk Committee shall provide advice to and assist the Board in fulfilling such responsibilities.
19. The Board Risk Committee shall assist the Board to discharge its duty to oversee, on an ongoing basis, the Risk Management Framework and approve the Risk Metrics.
20. 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

21. 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.

22. 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;
 - (ii) discussing with Management the Risk Management Framework to ensure that Management has performed its duty to maintain its effectiveness; and
 - (iii) 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) *Review*
 - (i) reviewing the risks associated with significant transactions, including but not restricted to transactions giving rise to changes in the capital and financing structure of the Group or as requested from time to time by any Director in consultation with the chairman of the Board Risk Committee; and
 - (ii) considering any findings of major investigations of risk management matters as delegated by the Board or on its own initiative and Management's response;
 - (c) *Support*
 - (i) seeking 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; and
 - (ii) assisting the Board to obtain an annual confirmation from Management on the effectiveness of the Risk Management Framework;
 - (d) *Other 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

23. The chairman of the Board Risk Committee shall coordinate
- (a) with the chairman of the Audit Committee to help to 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 to 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

- 24. 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 member of the Board Risk Committee or Director.
- 25. Minutes of meetings of the Board Risk Committee shall record in sufficient detail the matters considered by the Board 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.
- 26. 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

- 27. 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.