

# **Risk and Capital Committee**

## **Constitution and Terms of Reference**

### **1. Membership**

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee in consultation with the Chairman. The Committee shall be made up of at least three members.
- 1.2 All members of the Committee shall be Non-Executive Directors who are determined by the Board to be independent. The Chairman of the Audit and Compliance Committee will be a member of the Committee. The Chairman of the Board will not be a member of the Committee.
- 1.3 Subject to paragraph 1.4, only members of the Committee, the Chairman of the Board, any other Board Director, the Group Chief Risk Officer and Group Chief Actuary, the Chief Actuary, UK and Europe, and the Secretary have the right to attend Committee meetings. However, other individuals including the With-Profits Actuary, the Head of Multi-Asset and Fixed Interest, the Head of Group Internal Audit, the SLAL Chief Financial Officer and the engagement partner from the external auditors will be invited to attend all or any part of any meeting as and when considered appropriate by the Committee. The Committee may co-opt any Director satisfying the requirements for membership to join the Committee for a meeting or any longer period. The Secretary shall inform the Board when any such co-option has taken place.
- 1.4 The Committee may meet without representatives of management (other than the Secretary) in attendance if the Committee considers it appropriate to do so having regard to its duties.
- 1.5 The chairman of the SLAL With-Profits Committee will be invited to attend meetings of the Committee as and when considered appropriate by the Committee.
- 1.6 Appointments of Non-Executive Directors to the Committee shall be for a period of up to three years, which may be extended for two additional three-year periods, provided the relevant Non-Executive Director remains independent, as determined by the Board, throughout the period of appointment.
- 1.7 The Board shall appoint the Chairman. In the absence of the Chairman at any meeting, the remaining members of the Committee present shall elect one of themselves to chair the meeting.

### **2. Secretary**

- 2.1 The Group Company Secretary and General Counsel or his nominee shall act as the Secretary.

### **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 at appropriate times in the reporting cycle and otherwise as required by the Board or the Committee.

### **5. Notice of Meetings**

- 5.1 Meetings of the Committee shall be summoned by the Secretary at the request of any of its members or at the request of the Group Chief Risk Officer if he considers it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be sent to each member of the Committee and any other person required or entitled to attend. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### **6. Minutes of Meetings**

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated as soon as practicable to all members of the Committee and to all members of the Board.

### **7. Annual General Meeting**

- 7.1 The Chairman shall attend the Annual General Meeting of the Company prepared to respond to any questions on the Committee's activities.

### **8. Role and Duties**

The role of the Committee is to provide oversight and challenge of and advice to the Board on:

- the Group's current risk appetite, tolerance and strategy, material risk exposures and future risk strategy and their impact on capital;
- the structure of the Group's Enterprise Risk Management framework and its suitability to react to forward-looking issues and the changing nature of risks;
- material actuarial matters affecting the Group, and
- material risk and capital matters affecting the Heritage With-Profits Fund.

## **8.1 Risk exposures and Risk Strategy**

8.1.1 The Committee shall keep under review:

- 8.1.1.1 the Group's current overall strategy in a risk management context;
- 8.1.1.2 the external economic and financial environment and external financial stability assessments and other authoritative sources relevant to the Group's risk exposures and risk strategy and their impact on capital;
- 8.1.1.3 the key risk exposures inherent in the Group's future strategy proposals and their impact on capital;
- 8.1.1.4 the Group's risk appetite and risk tolerances, and material changes to financial exposures (including liquidity risk and investment risk) and breaches of risk limits (and the adequacy of the proposed remedial action) and their impact on capital and the metrics used to monitor the Group's risk management performance;
- 8.1.1.5 the due diligence risk assessments undertaken when the Group is considering a material proposed strategic transaction (including acquisitions or disposals);
- 8.1.1.6 the design and execution of the Group's stress and scenario testing programme, and its impact on capital and the Group's business plans;
- 8.1.1.7 product pricing risk principles;
- 8.1.1.8 significant changes to a Group Company's investment strategy, policy or benchmarks;
- 8.1.1.9 specific risk adjustments to be applied to performance objectives set by the Remuneration Committee in the context of incentive packages;
- 8.1.1.10 any other relevant matter referred to it by the Board or by the board of directors of any Group Company from time to time;

and shall raise with or make recommendations to the Board or any committee of the Board on any significant matters arising from such review.

## **8.2 Enterprise Risk Management framework**

8.2.1 Together with the Audit and Compliance Committee, the Committee shall review:

- 8.2.1.1 the structure of the Group's Enterprise Risk Management framework and its suitability to identify and manage new risk types and react to forward-looking risk issues and the changing nature of risks;
- 8.2.1.2 the initiatives to strengthen risk awareness culture across the Group;

and shall raise with or make recommendations to the Board and/or the Audit and Compliance Committee on any significant matters arising from such review.

### **8.3. Actuarial matters**

8.3.1 The Committee shall, in respect of each relevant Group Company, review:

- 8.3.1.1 the key assumptions and bases underlying the annual Individual Capital Assessment, the Internal Capital Adequacy Assessment Process, and other economic capital calculations;
- 8.3.1.2 the key assumptions and valuation methodology used for Interim and Annual Regulatory Returns;
- 8.3.1.3 any other major regulatory submissions involving capital;
- 8.3.1.4 the Group's progress towards the implementation of Solvency II and its potential impact on capital;
- 8.3.1.5 the capital implications of product pricing risk principles;
- 8.3.1.6 any other relevant matter referred to it by the Board or by the board of directors of the relevant Group Company from time to time,

and shall raise with or make recommendations to the Board (or, if appropriate, any committee of the Board, or the relevant Group Company board) concerning any significant matters arising from such review.

### **8.4 Scrutiny of With-Profits risk and capital matters**

8.4.1 The Committee shall review:

- 8.4.1.1 adjustments to the principles of the PPFM;
  - 8.4.1.2 material changes in approach to the determination of payments on with-profits policies;
  - 8.4.1.3 material changes to the asset allocation strategy for the SLAL Heritage With Profits Fund;
- to the extent that they affect the Group's risk profile or use of capital.

8.4.2 The Committee shall receive a copy of any report from the SLAL With-Profits Committee to the SLAL Board and review the report's impact on the Group's risk profile or use of capital.

8.4.3 The Committee shall receive a copy of any statement or report to With-Profits policyholders made by the SLAL With-Profits Committee and review the impact of the statement or report on the Group's risk profile or use of capital.

8.4.4 The Committee shall raise with, or make recommendations to the Board (or, if appropriate, any Committee of the Board, or the relevant Group Company board) concerning any significant matters arising from reviews carried out under this paragraph 8.4.

8.4.5 The Chairman of the SLAL With-Profits Committee shall have a right of access at all times to the Chairman.

## **9 Reporting Responsibilities**

- 9.1 The Chairman shall report formally to the Board on all matters which fall within the Committee's remit.
- 9.2 The Committee shall compile a report, to be included in the Company's Annual Report, to members of the Company on:
- strategy in a risk management context;
  - potential risks facing the business and the stress testing programme;
  - how risk is managed in the business, and
  - the responsibilities, members and activities of the Committee.
- 9.3 The Chief Risk Officer and Group Chief Actuary shall have a right of access to the Chairman.

## **10. Other Matters**

The Committee shall:

- 10.1 be provided by the Company with sufficient resources in order to carry out its duties;
- 10.2 be provided by the Company 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 at least once a year, review its own performance, constitution and terms of reference to ensure it operates effectively and recommend any changes it considers necessary to the Board for approval;
- 10.4 consider and approve the remit of the risk management function, ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards and that it has adequate independence and is free from management or other restrictions; and
- 10.5 recommend to the Board the appointment and/or removal of the Group Chief Risk Officer.

## **11. Authority**

The Committee is authorised by the Board:

- 11.1 to seek any information it requires from any employee or director of the Group in order to perform its duties;
- 11.2 to obtain, at the Group's expense, and draw on, external legal, actuarial, risk management or other professional advice on any matter falling within its terms of reference to support the quality of its decision-making;
- 11.3 to call on any employee to attend a meeting of the Committee as and when required;
- 11.4 to liaise with the Remuneration Committee on an arm's length basis in terms of providing advice on specific risk adjustments and risk weightings to be applied to performance objectives set in the

context of incentive packages for the Executive Directors; in the event of any difference of view, appropriate risk adjustments should be decided by the Chairman and the Non-Executive Directors;

- 11.5 to interact with the SLAL With-Profits Committee as necessary in matters materially affecting the risk profile of the SLAL Heritage With-Profits Fund;
- 11.6 to interact with the Audit and Compliance Committee and/or Group Internal Audit regarding the effectiveness of the Group's Enterprise Risk Management framework and the control framework.

## **12. Extent of Authority**

- 12.1 The Committee's authority does not replace (or supersede) the individual statutory and regulatory responsibilities of the directors of the regulated entities within the Group.

## Definitions

“Audit and Compliance Committee”	The Audit and Compliance Committee of the Company
“Board”	The Board of Directors of the Company
“Chairman”	The Chairman of the Committee
“Committee”	The Risk Committee of the Company
“Company”	Standard Life plc
“Group Company Secretary and General Counsel”	The Group Company Secretary and General Counsel of the Company
“ERMC”	The Enterprise Risk Management Committee of the Group
“ERM framework”	The Enterprise Risk Management framework of the Group
“Executive Team”	The Executive Team of the Group
“Group”	The Company and its subsidiaries
“Group Company”	Any company within the Group
“Heritage With-Profits Fund”	The Heritage With-Profits Fund of Standard Life Assurance Limited
“Nomination and Governance Committee”	The Nomination and Governance Committee of the Company
“Non-Executive Director”	A Non-Executive Director of the Company
“PPFM”	Principles and Practices of Financial Management
“Remuneration Committee”	The Remuneration Committee of the Company
“Secretary”	The Secretary of the Committee
“SLAL”	Standard Life Assurance Limited
“With-Profits Committee”	The With-Profits Committee of Standard Life Assurance Limited