

Group Secretariat

Board Risk Committee Terms of Reference

Approved on:
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RSA Insurance Group plc
20 Fenchurch Street
London EC3M 3AU

RSA Insurance Group plc (the 'Company')

BOARD RISK COMMITTEE (the 'Committee') – TERMS OF REFERENCE

1. Principal Function

- 1.1 The board of directors of the Company (the 'Board') is responsible for directing the affairs of the Company and the RSA Insurance Group plc group of companies (the 'Group') in a manner that meets both shareholder and regulatory requirements and is consistent with current corporate governance best practice standards, and the Company's Articles of Association.
- 1.2 The Committee is authorised by the Board to advise the Board on risk management issues, recommend the Group framework of risk limits and risk appetite to the Board for approval and oversee the risk management arrangements of the Company and the Group.
- 1.3 The Committee ensures that the material risks facing the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively. Material risks may arise either from financial, reputational or customer impacts.
- 1.4 In undertaking its duties and responsibilities the Committee should, where appropriate, be mindful of the views and interests of the Company's shareholders and its stakeholders particularly those of the customers and the need to deliver good customer outcomes.

2. Membership

- 2.1 The Committee members shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee. The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors. Membership shall include at least one member of the Group Audit Committee and one member of the Group Remuneration Committee.
- 2.2 The Chairman of the Committee shall be an independent Non-Executive Director.
- 2.3 Care shall be taken to minimise the risk of any conflict of interest that could arise.
- 2.4 The Board shall appoint the Committee Chairman on the recommendation of the Nomination Committee and determine the period for which they shall hold office. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting

3. Attendance

- 3.1 If a Committee member is unable to attend due to absence, illness or any other cause the members may appoint an independent Non-Executive Director to serve as an alternate member, maintaining the quorum set out in paragraph

5.1.

- 3.2 The Group Chief Financial Officer and the Group Chief Risk Officer shall be expected to attend Committee meetings. For the avoidance of doubt they are not members of the Committee.
- 3.3 The Group Director, Underwriting & Claims; Group Chief Auditor, Regional Chief Risk Officers & Risk Directors and Regional Underwriting Directors may attend meetings at the Committee's invitation.
- 3.4 The Committee Chairman may invite other employees or advisers to attend all or part of any meeting.
- 3.5 The Company's external auditor may request to attend Committee meetings and the Committee Chairman may authorise this.

4. Secretary

- 4.1 The Group Chief Legal Officer and Company Secretary or their duly appointed nominee shall act as the Secretary of the Committee.

5. Quorum

- 5.1 The quorum necessary for the transaction of business shall be any two members.
- 5.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.3 The Committee may meet for the despatch of business, adjourn and otherwise regulate meetings as they think fit. Without prejudice to the foregoing, all members of the Committee may participate in a meeting of the Committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.

6. Frequency of Meetings

- 6.1 The Committee shall meet at least four times each year at appropriate times in the reporting and audit cycle and at such other times as otherwise required.
- 6.2 Each year, the Committee shall have at least one meeting, or part thereof, with the Group Chief Risk Officer in the absence of other members of executive management. In addition, the Group Chief Risk Officer shall be offered direct access to the Committee Chairman and, where necessary, the Chairman of the Board.

7. Notice of Meetings

- 7.1 Meetings of the Committee shall be convened by the Secretary to the Committee at the request of any of its members or the Group Chief Risk Officer. Meetings can also be requested by management, or the external or internal auditors if they consider it necessary.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and to other attendees as appropriate prior to the date of the meeting.

8. Minutes of Meetings

- 8.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance. The Secretary shall also minute the proceedings of any private meeting between the Non-Executive Directors, the internal auditors and the external auditors where executive management are not present at the discretion of the Committee Chairman.
- 8.2 The members of the Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly.
- 8.3 Draft minutes of Committee meetings shall be circulated promptly to the Committee Chairman and once agreed to all members of the Committee.
- 8.4 Once approved, minutes of Committee meetings shall be circulated to all members of the Board unless it would be inappropriate to do so.

9. Annual General Meeting

- 9.1 The Committee Chairman shall attend the Annual General Meeting and respond to any shareholder questions on the Committee's activities and responsibilities

10. Responsibilities

- 10.1 The Committee shall utilise common memberships and work collaboratively with other Group committees including but not limited to the Group Audit Committee and Remuneration Committee to address overlapping themes arising from time to time and its obligations shall be:
- 10.2 Reviewing the risk appetite capital adequacy assessment on a quarterly basis, and where necessary approve actions to bring capital within appetite;
- 10.3 Reviewing, at least annually, the outputs of the internal model, including but not exclusively Solvency II SCR, as recommended by the Internal Model Governance Committee, to include a review of the overall assumptions, results, model changes and the conclusions of the internal model validation process and if satisfied, make recommendations to the Board; and
- 10.4 Specifically with regard to **Governance and Risk Management**:

- (A) Considering and approving the Group framework of risk appetite and risk limits for recommendation to the Board for approval at least annually;
- (B) Approval of the Risk Management Plan at least annually to review functional priorities and Technical, Financial and Operational Assurance Plans, including Conduct Assurance Plans;
- (C) On a quarterly basis, with the benefit of input from the Regional Risk Directors, ensure the material risks facing the Group (with consideration to key stakeholders, including shareholders and customers) have been identified, that the risk profile adequately represents any significant issues relating to the Group's control environment and that mitigating actions are in place;
- (D) On a quarterly basis, via an update from the Chair of the UK Customer Committee, ensure the UK Customer Committee is effective at monitoring customer outcomes and appropriate action is being taken to address risks or issues impacting achievement of good customer outcomes.
- (E) Considering the output from deep dive reviews performed for key risks including an assessment of the appropriateness of mitigating actions to maintain risks within appetite;
- (F) Reviewing reports on any material breaches of risk limits and noting where these breaches are linked to policy gaps and actual or potential impact to customers, together with assessing adequacy and timing of proposed actions;
- (G) Regularly reviewing and monitoring risks which are most likely to have a future material impact on the Group or its stakeholders, including customers;
- (H) Regularly reviewing Stress and Scenario Testing results and actions proposed or taken to address any identified risks and provide input into the selection of appropriate stress and scenario tests;
- (I) Reviewing promptly all material reports on the Group from the Group Chief Risk Officer, which will include a summary of key messages from other relevant committees;
- (J) Reviewing and monitoring management's responsiveness to the findings and recommendations of the Group Chief Risk Officer;
- (K) Working with the Remuneration Committee to ensure that risk is properly considered in setting the overall remuneration policy for the Group and the remuneration of employed executives who are members of the Board (the 'Executive Directors') and other senior executives;
- (L) At the request of the Board, advising the Board on strategic transactions including significant acquisitions or disposals, ensuring that adequate due diligence and assessment has been performed in consideration of the

business and its customers. In particular, reviewing risk aspects of the transaction and the impact on the Group's risk appetite and tolerance; and

- (M) Considering material items reported from the regional and GCC Risk Committees, the Control and Governance Advisory Committee ("CGAC"), Royal & Sun Alliance Insurance plc Board and the UK Customer Committee. Minutes from the regional and GCC Risk Committee should be available to all Committee members.

10.5 Specifically with regard to **System of Governance Design**:

- (A) Considering and approving the Group's System of Governance for recommendation to the Board for approval at least annually, with regular assurance reporting on the control framework (ICS) being reviewed by the Committee or the Group Audit Committee as appropriate;
- (B) Regularly reviewing the Group's risk management system, including quantitative and qualitative measures;
- (C) Reviewing and approving the adoption of new Group Policy Statements; any material changes to existing Group Policy Statements or their termination/change of status on recommendation of the CGAC Committee;
- (D) Considering and approving the remit of the Group's Risk Function and ensuring that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure the Risk Function has adequate independence; and
- (E) Reviewing any recommendation of the Executive Directors on the appointment or removal of the Group Chief Risk Officer and make appropriate recommendations to the Board.

10.6 Specifically with regard to **Own Risk and Solvency Assessment ("ORSA")**:

- (A) On behalf of the Board, reviewing the Group ORSA approach and report, and if satisfied, recommend formal approval by the Board.

11. Reporting Responsibilities

11.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting.

11.2 The Committee shall:

- (A) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively, and recommend any changes it considers necessary to the Board;
- (B) the Committee shall make whatever recommendations to the Board it

deems appropriate on any area within its remit where action or improvement is needed;

- (C) produce a report as part of the Company's Annual Report and Accounts describing the Committee's activities during the relevant financial year including details of any issues that could not be resolved between the Committee and the Board and in compliance with relevant law, regulation and best practice; and
- (D) make available its terms of reference in accordance with the provisions and recommendations contained within the UK Corporate Governance Code (FRC prevailing edition) (the 'Code').

12. Other matters

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the Group's Secretariat for assistance as required;
- 12.2 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;
- 12.3 give due consideration to the requirements of the UK Listing Authority's Listing Rules, Disclosure and Transparency Rules, Prospectus Rules, the provisions of the Code and any other relevant laws or regulations in force from time to time;
- 12.4 review and consider any potential conflicts of interest between the UK business of RSA and any non-UK business of RSA that are brought to the Committee by the business as part of a transaction review and approval process. To the extent the Committee considers that a conflict of interest will or could have a material impact on the UK business, the Committee shall provide a recommendation to the board of RSA Insurance Group plc regarding that conflict of interest, with a copy to the board of Royal and Sun Alliance Insurance plc;
- 12.5 periodically review and consider the scenarios and situations contained in the Situational Conflicts Register regarding any potential conflicts of interest between the UK and any non-UK business of the Company.

13. Authority

The Committee is authorised by the Board to:

- 13.1 investigate any activity within its terms of reference;
- 13.2 seek any information it reasonably requires in order to effectively perform its duties;
- 13.3 obtain, at the Company's expense, independent legal or other professional advice on any matters within its terms of reference;

- 13.4 call any member of staff to be questioned at a meeting of the Committee as and when required; and
- 13.5 delegate any of its duties as is appropriate to such persons or person as it thinks fit, whilst retaining responsibility and oversight for any and all actions taken.