



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 risk 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;

Group means the Company and its Affiliates;

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

Group CFO means the senior officer of the Company responsible for financial management as appointed by the Group CE from time to time;

Group Company Secretary means the company secretary of the Company;

Group CRO means the senior officer of the Company responsible for Group Risk & Compliance as appointed by the Group CE from time to time;

Group ExCo means the management committee of senior executives of the Group appointed by the Group CE to assist him in the fulfilment of his duties;

Group Financial Risk Committee or “Group FRC” means the management committee established by the Board Risk Committee chaired by the Group CE to oversee financial risk and insurance risk;

Group Operational Risk Committee or “Group ORC” means the management committee established by the Board Risk Committee and chaired by the Group CFO to oversee non-financial risk;

Group Risk & Compliance means the department responsible for the Company’s effective implementation of the Risk Management Framework, including overseeing Risk identification and mitigation activities;

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

Nomination Committee means the nomination committee established by the Board;

Own Risk and Solvency Assessment (ORSA) means the Company’s assessment of the Group’s Risk Profile, the adequacy of its risk management and also its current, and likely future, solvency and liquidity positions;

Policies are documents pertaining to rights retained and matters governed by the Board, as set out in the board charter of the Company, or in accordance with the Terms of Reference of any committees established by the Board;

Remuneration Committee means the remuneration committee established by the Board;

Risk means the possibility that events will occur and affect the achievement of the Group's strategy and business objectives;

Risk Appetite means the types and amount of Risk, on a broad level, that the Group is willing to accept in order to achieve its strategic and business objectives;

Risk Appetite Statement means an overarching statement on the Group's attitude to Risk;

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

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

Risk Profile means the composite view of the Risk assumed at a particular level of the Group, or aspect of the business that positions Management to consider the types, severity, and interdependence of Risks, and how they may affect performance in relation to the Group's strategy and business objectives;

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

Shareholders mean the shareholders of the Company; and

Terms of Reference (TOR) is a document setting out the scope and authorities of a particular governance body.

Constitution

2. The Board Risk Committee was established by resolution of the Board passed 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 after considering the recommendations of the Nomination Committee. The Board Risk Committee 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.

Frequency of Meetings

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

7. The Board Risk Committee may invite any members of the Management to attend the meetings. The following persons are normally invited to attend:

- Group CE
- Group CFO
- Group CRO
- Group Chief Actuary
- Group General Counsel
- Group Head of Internal Audit
- Group Company Secretary

8. 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

9. 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).
10. 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.
11. 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.
12. Matters arising at any meeting shall be decided by a majority of votes.
13. 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

14. 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.

Risk Management Governance Structure

15. The Board Risk Committee has established two management committees, (the Group Financial Risk Committee or "Group FRC" and the Group Operational Risk Committee or "Group ORC"), to provide oversight of all significant Risk issues within the Group. These committees oversee the Risk Management Framework and ensure that Risks are managed in line with the Risk Appetite. The Group FRC and Group ORC will report and provide information to the Board Risk Committee and Group ExCo as and when required.
16. The Company has also established Group Risk & Compliance, headed by the Group CRO, to assist the Management, business unit leaders, the Group FRC, the Group 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.
17. The Group CRO shall provide and report the Risk Profile and related information to the Board Risk Committee, and to coordinate the implementation of policy and instructions within the Group with the Management and functional group heads as commissioned by the Board Risk Committee.

Board Risk Committee's 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, and that sufficient resources are in place for risk management. 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.
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's 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 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 shall be provided with sufficient resources to discharge its duties. It 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 adequacy and effectiveness of the Risk Management Framework, including the allocation of resources to implement such a framework on at least an annual basis; such review to cover changes in the nature and extent of significant Risks, and the Group's ability to respond to changes in its business and the external environment; the scope and quality of Management ongoing monitoring of Risks; and the extent and frequency of reporting to the Board Risk Committee on such monitoring;
- (ii) discussing with Management the Risk Management Framework to ensure that Management has performed its duty to maintain its effectiveness; and
- (iii) promoting and monitoring the embedding of a robust risk culture for the Group;

(b) *Review*

- (i) reviewing and recommending Risk Management Framework, Risk Appetite Statement, Risk-related Policies and reports to the Board for approval, including material business activities and business activities which deviate from the Risk Appetite and Risk limits, ORSA and the recovery plan;
- (ii) reviewing the Risk Appetite capital adequacy assessment on a quarterly basis, and where necessary approve actions as suggested by the Group CRO to bring capital within appetite;
- (iii) ensuring that the material Risks facing the Group have been identified, and that the Risk Profile adequately represents any significant issues relating to the Group's control environment with mitigating actions put in place;
- (iv) 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;
- (v) advising the Board on the Risk qualification, including the use of an internal capital assessment; and
- (vi) considering any findings of major investigations on 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 Group FRC, Group ORC, Group CRO and Group

Risk & Compliance, together with advice and input from the Management and / or external advisors 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) undertaking or considering 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) reporting 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 with

- (a) 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 fulfil their duties and responsibilities with respect to Risk assessment and Risk management; and
- (b) 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 members of the Board Risk Committee 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.