RISK COMMITTEE TERMS OF REFERENCE

THE BRITISH UNITED PROVIDENT ASSOCIATION LIMITED

RISK COMMITTEE

Terms of Reference

1. Constitution and Role

The Risk Committee was established by a resolution of the Board passed on 14 June 2012. The Committee’s current Terms of Reference were reviewed and adopted by a resolution of the Board on 13 December 2018.

The principal role of the Committee is to assist the Board in articulating and developing its risk management strategy and providing oversight of risk across Bupa. This includes overseeing the current and future risk exposures and risk strategy, developing and monitoring the effectiveness of the risk management framework including risk appetite, risk policies, key process and controls, and the promotion of a risk aware culture throughout Bupa.

2. Membership and Secretary

2.1 Composition The Committee shall comprise at least three members appointed by the Board, on the recommendation of the Nomination & Governance Committee in consultation with the Risk Committee Chairman. Membership shall include the Chairman of the Audit Committee and a member of the Remuneration Committee. The Chairman of the Board shall not be a member of the Committee.

2.2 Independence All members of the Committee shall be independent Non-Executive Directors.

2.3 Chairman The Chairman of the Committee shall be appointed by the Board on the recommendation of the Nomination & Governance Committee and shall be an independent Non-Executive Director. In the absence of the Chairman of the Committee, the members present at any meeting of the Committee shall elect one of their number to chair the meeting.

2.4 Committee Refreshment Each member shall hold office as a Committee member for a period of up to three years, which may be extended for further periods of up to three years, provided the director remains independent.

2.5 Knowledge All members are required to keep up-to-date on regulatory, risk and compliance issues and, where appropriate, shall receive induction and ongoing professional development to ensure this.
2.6 **Disclosure of interests** Each member of the Committee shall disclose to the Committee:

(a) any personal financial interest in any matter to be decided by the Committee; and

(b) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions.

2.7 **Secretary** The Company Secretary or his/her nominee shall be secretary to the Committee.

3. **Meetings**

3.1 **Frequency** The Committee Chairman, in consultation with the Secretary and Chief Risk Officer, shall decide the frequency and timing of the Committee’s meetings. However, a meeting of the Committee may be called by any member of the Committee, the Secretary or the Chief Risk Officer and shall be held as soon as reasonably practicable after such a request. Meetings shall be held at least four times a year at appropriate times in the risk, regulatory and compliance cycle and at other times as required.

3.2 **Quorum** The quorum for meetings of the Committee shall be two members present throughout the meeting. A member may participate in a Committee meeting by telephone or by video conference (including Skype) and be counted in the quorum.

4. **Proceedings**

4.1 **Notice** Notice of each meeting confirming the date, time and venue shall be circulated by the Secretary to all members of the Committee and to other attendees (if appropriate) as far in advance as possible.

4.2 **Supporting papers** Supporting papers for each meeting shall be circulated by the Secretary to all members of the Committee and to other attendees (if appropriate) at least five working days before a meeting.

4.3 **Attendance** Only the Committee Chairman and members of the Committee or Non-Executive Directors on the Board are entitled to be present at meetings of the Committee. The Committee shall however have the discretion to invite any other person(s) and the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, the Chief Internal
Auditor, Chief Medical Officer and the external auditor will usually be invited to attend meetings.

4.4 **Duration** Sufficient time should be allowed to enable the Committee to undertake as full a discussion as may be required.

4.5 **Minutes** The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be produced within ten working days of the meeting and circulated to members as soon as practicable following the meeting and to all other Directors unless there is a conflict of interest.

5. **Authorities**

5.1 **Resources and support** The Committee shall be provided with sufficient resources to undertake its duties. The Committee shall have access to the services of the Secretary and the Chief Risk Officer on all Risk Committee matters, including (but not limited to) assisting the Chairman in planning the Committee’s work, drawing up meeting agendas, preparation and maintenance of the minutes, drafting of material about its activities for the Annual Report, collection and distribution of information and provision of any necessary practical support.

5.2 **Investigation** The Committee is authorised by the Board to investigate any activity within its terms of reference and to intervene if the Committee considers it appropriate and if the Board instructs it to do so.

5.3 **Information** The Committee is authorised to have unrestricted access to all of the books and records of the Company and to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the Committee Chairman or the Company Secretary acting on instructions from the Committee. The Committee will advise the Chief Executive Officer if it has exercised this authority to seek information (other than routine information) from any employee, setting out the information required and the circumstances underlying the request.

5.4 **Advice** The Committee is authorised by the Board to obtain independent legal, accounting or other professional advice on any matter within its terms of reference and to secure the attendance of such advisers with relevant experience and expertise, at the Company’s expense, if it considers this necessary. The Committee shall consult with the Chairman of the Board before any fees are agreed.
5.5 **Reports** The Committee is authorised to commission any reports or surveys that it considers necessary to help it fulfil its duties and responsibilities.

5.6 **Delegation** The Committee may delegate any actions in support of its function to a competent person, providing the terms of the delegation are documented in the Committee’s records, but it may not delegate accountability for its function. The Committee may not delegate those powers relating to the oversight of the Risk and Compliance Function.

6. **Duties and responsibilities**

The Risk Committee shall carry out the duties below:

**Risk Management Strategy & Framework**

6.1 **Risk Appetite Framework** Review Bupa’s risk appetite annually, considering the current and prospective macroeconomic, financial, clinical and regulatory environment. Consider Bupa’s capability to identify and manage new types of risks. Recommend any changes deemed appropriate to Bupa’s risk appetite to the Board for approval. Recommend any activities that are likely to take Bupa outside its risk appetite to the Board for approval.

6.2 **Risk Management Strategy** Oversee Bupa’s strategies for managing the key categories of risk to which it is exposed.

6.3 **System of Governance & Risk Management Framework** Review the design, implementation and effectiveness of Bupa’s System of Governance and Risk Management Framework to ensure they appropriately manage or mitigate the principal risks facing Bupa and how they could threaten the Group’s business model, future performance, solvency, liquidity or reputation. Approve material changes to Bupa’s System of Governance & Risk Management Framework.

6.4 **Policies** Oversee the development, maintenance and implementation of appropriate policies and approve or recommend for approval such policies to the Board, as set out in the Enterprise Policies Schedule of Delegations approved by the Board from time to time.

**Risk Oversight**

6.5 **Risk Profile** Oversee Bupa’s current and emerging risk exposures.

6.6 **Risk Information** Assess the effectiveness and quality of the risk reporting provided and the management of risks and emerging risks including, but not limited to, financial, regulatory, clinical and operational.
6.7 **Incident Oversight** Oversee, at its discretion, the management of material incidents, breaches in limits or breakdown in operational controls including IT infrastructure. Assess the adequacy of remedial actions. Ensure that appropriate mechanisms are in place to swiftly escalate material risk events or concerns to the Committee.

6.8 **Regulation and Compliance** Review relationships with regulatory authorities in relevant jurisdictions and developments in the regulatory environment. Review and approve the annual compliance programme.

6.9 **Actuarial Function Report** At least annually review and approve the Actuarial Function Report.

6.10 **Insurance Programme** Approve the insurance programme and the overall levels of insurance including Directors’ & Officers’ liability insurance and indemnification of directors.

**Risk Assessment and Reporting**

6.11 **Risk Identification and Mitigation** Satisfy itself that risks to Bupa’s business plan and any capital implications are adequately identified and assessed by management through appropriate stress testing and that mitigating actions are implemented. Agree the plan and review the outcomes of the annual stress and scenario testing programme.

6.12 **Risk Capital** Review the methodology and assumptions for determining economic and regulatory capital requirements, ensuring that the assumptions and calibrations used reflect Bupa’s forward-looking risk profile. Review and recommend to the Board for approval, the Bupa Own Risk and Solvency Assessment report.

6.13 **Strategic Transaction Risk** Advise the Board, as required, on proposed strategic transactions including acquisitions, disposals, extensions into new business sectors or new countries, or significant changes to financial risk mitigation strategies, focusing on implications for risk appetite and tolerance, taking independent, external advice where appropriate.

**Risk Function Oversight**

6.14 **Remit and Performance of the Risk Function** Safeguard the independence of and assess the adequacy, remit and performance of the Risk & Compliance Functions, including the Chief Risk Officer.
Other

6.15 **Other matters referred by the Board** Consider any other matters relevant to the Company’s risk management that are referred to it by the Board.

6.16 **Access for / to the Chief Risk Officer** the Chief Risk Officer has direct access to the Chairman and other members of the Committee and the Chairman and members of the Committee have direct access to the Chief Risk Officer. At least once a year, and at any other time as the Committee shall see fit, it shall meet separately with the Chief Risk Officer in the absence of other members of management.

6.17 **Liaison with other Committees** Work and liaise as necessary with all other Board Committees, including with the Remuneration Committee, to ensure that risk is properly considered in setting the overall remuneration policy and that the remuneration arrangements of the Executives are commensurate with promoting ethical behaviour and do not encourage risk taking that exceeds Bupa’s risk appetite.

6.18 **Liaison with Subsidiary Company Risk Committees** Work and liaise as necessary with major Subsidiary Company Risk Committees.

7. **Reporting Responsibilities**

7.1 **The Board** The Chairman of the Committee (or a Committee member nominated by the Chairman) shall report to the Board on the proceedings of each Committee meeting.

7.2 **Recommendations** The Committee shall make whatever recommendations to the Board it considers appropriate on any area within its remit where action or improvement is necessary.

7.3 **Committee Report** The Committee shall assist the Board by preparing a statement for inclusion in the Company’s Annual Report describing the role and responsibilities of the Committee and actions taken by the Committee during the relevant period to discharge those responsibilities.

7.4 **AGM** The Chairman of the Committee shall attend the Company’s Annual General Meeting and be available to respond to any questions on the Committee’s activities and areas of responsibility.
8. Other Matters

The Committee shall:

8.1 **Review performance** At least once a year, review its own performance, composition and terms of reference to ensure that it is operating at maximum effectiveness and to recommend any changes it considers necessary to the Board for approval;

8.2 **Terms of Reference** Make available these terms of reference (explaining the role and the authority delegated to it by the Board) on request and by including the information on the Company's website;

8.3 **Chief Risk Officer** Approve the appointment and removal of the Chief Risk Officer; and

8.4 **Other projects** Undertake any other projects, as requested by the Board.

9. Definitions

**Company** means The British United Provident Association Limited.

**Board** means the Board of Directors of the Company.

**Directors** means Directors of the Company.

**Committee** means the Risk Committee of the Board.

**Bupa** means the Company and its subsidiary companies.