



TERMS OF REFERENCE

RISK, CAPITAL AND COMPLIANCE COMMITTEE OF THE BOARD

Table of Contents

1.	INTRODUCTION	3
2.	MANDATE IN RESPECT OF SUBSIDIARIES	3
3.	PURPOSE OF THE TERMS OF REFERENCE.....	4
4.	COMPOSITION OF THE COMMITTEE	4
5.	ROLES	4
6.	RESPONSIBILITIES – RISK AND COMPLIANCE	6
7.	RESPONSIBILITIES – BALANCE SHEET MANAGEMENT	8
8.	RESPONSIBILITIES – OTHER.....	10
9.	AUTHORITY	10
10.	MEETINGS AND PROCEDURES	11
11.	REMUNERATION	13
12.	EVALUATION	13
13.	REVIEW	13

1. INTRODUCTION

- 1.1. The Risk, Capital and Compliance Committee (“Risk Committee”/“Committee”) is constituted as a Committee of the Board of Directors (“Board”) of MMI Holdings Limited (“MMI Holdings”), and is accountable to the Board. In the context of this document, “Company” means MMI Holdings, its subsidiaries, and all business Divisions, collectively also referred to as “the Group” or “MMI”.
- 1.2. The Board has delegated the responsibility for the assessment of the quality, integrity and reliability of the Company’s risk, capital and compliance management processes to this Committee which authority may be withdrawn or amended by the Board at any time in accordance with the legal and regulatory requirements. The nature of the delegation is as set forth in the roles and responsibilities hereunder, and the duties and responsibilities of the members of the Committee are in addition to those as members of the Board, as applicable. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members with regard to their fiduciary duties and responsibilities, and they must continue to exercise due care, skill and judgment in accordance with their legal and statutory obligations.
- 1.3. These Terms of Reference are subject to the provisions of the Companies Act, the Company’s Constitution and any other applicable laws, regulatory and supervisory provisions, corporate governance principles, codes and best practices.

2. MANDATE IN RESPECT OF SUBSIDIARIES

- 2.1. The Committee is appointed to act on behalf of MMI as a whole, except to the extent restricted or precluded by law.
- 2.2. The Committee is mandated and authorised by the Board, without limiting the generality of its authority, to designate sub-committees of appropriately qualified persons to assist it in discharging its mandate in respect of any particular matter set forth in these Terms of Reference, or in respect of any subsidiary or operating or business structure within the Group, whether established and operating locally or internationally. In doing so, the Committee may delegate any of its powers to a person or committee of persons, but will remain accountable towards its responsibilities as stipulated in these Terms of Reference.
- 2.3. In the process of delegation, full cognisance shall be taken of the particular governance structure of MMI in order to prevent duplication of functions between various committees as far as possible. Furthermore, proper controls should be in place to ensure that there is not undue concentration of power in the system of delegation.
- 2.4. Furthermore, any issue that comes to the attention of any of the MMI committees or sub-committees and which, in their opinion, may materially impact on the Company’s Risk, Capital and Compliance management functions, processes and systems, should be reported to the Committee as soon as such other committee becomes aware of the issue.
- 2.5. The appointment of sub-committees for subsidiaries does not reduce the accountability of the Risk Committee in relation to the roles and responsibilities set forth herein.

3. PURPOSE OF THE TERMS OF REFERENCE

- 3.1. The purpose of these Terms of Reference is to set out the Risk Committee's scope, role and responsibilities as well as the requirements for its composition and meeting procedures.

4. COMPOSITION OF THE COMMITTEE

- 4.1. The Committee will comprise of at least three members.
- 4.2. The members of the Committee shall be executive and non-executive directors, of whom the majority will be non-executive.
- 4.3. The attendees of the Committee shall include at least the MMI Chief Risk Officer (CRO), MMI Group Finance Director (FD), MMI Head of Actuarial Control, Head of Group Balance Sheet Management (GBSM) and the MMI Chief Compliance Officer.
- 4.4. The Chairperson and members of this Committee shall be appointed by the Board, or its duly mandated Board Committee. Any change to the composition of the Committee shall be considered and approved by the Board, or its duly mandated Board Committee.
- 4.5. The Chairperson of the Committee shall be an independent director of the Board.
- 4.6. The Chairpersons of the Audit Committee of the Board will be *ex officio* members of this Committee.
- 4.7. The Committee's composition shall be reviewed at least every three years and members may be eligible for re-appointment.
- 4.8. The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, be fit and proper, and keep up-to-date with developments affecting the required skills-set.
- 4.9. The MMI Secretary, or any other person appointed by the MMI Board, duly mandated Board Committee, or the Risk Committee, shall be the secretary to the Committee.

5. ROLES

- 5.1. Risk is broadly defined as the effect that uncertainty has on affecting the achievement of the business objectives. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. Compliance risk is defined more narrowly, as the risk of legal or regulatory sanctions, material financial loss, or reputational loss that MMI might suffer as a result of failure to comply with any statutory, regulatory or supervisory requirements, internal self-regulating standards and codes of conduct applicable to the business of MMI. For the purposes of these Terms of Reference, "risk" will encompass both definitions, and "risk management" will mean the risk management processes of both the Enterprise Risk Management and Compliance functions in MMI.

- 5.2. The Board is responsible for the total process of risk management, as well as forming its opinion on the effectiveness of the respective processes employed in MMI's Enterprise Risk Management, Balance Sheet Management and Compliance functions. Management is accountable to the Board for designing, implementing and monitoring the process of sound risk management, and integrating it into the day-to-day activities of the Group.
- 5.3. The Committee has an independent role, operating as an oversight function and shall be a maker of recommendations to the Board for its consideration and final approval. The Committee shall not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 5.4. In fulfilling its role and responsibilities, the Committee will have due regard to the principles of governance and codes of best practice.
- 5.5. In meeting its obligations, the Committee will be guided by the Group's purpose, vision, mission and values.
- 5.6. The Committee's role with regard to risk, compliance and balance sheet management as stipulated in this document applies to all subsidiaries of MMI, subject to the limitations imposed on minority shareholdings.
- 5.7. The role of the Committee is to assist the Board to ensure that the following objectives are achieved:
 - 5.7.1. Form an opinion about the quality, integrity and reliability of the Group's risk and compliance management processes;
 - 5.7.2. Ensure that the Group has implemented and maintains an effective risk management system comprising the totality of strategies, policies and procedures for identifying, measuring, monitoring, managing and reporting of all material risks that will enhance the Group's ability to achieve its strategic objectives;
 - 5.7.3. Provide an objective oversight and review of the information presented by the various management teams on risks and risk management in their specific Divisions;
 - 5.7.4. Monitor the Group's entire risk profile, ensuring that the material risks are identified and escalated appropriately;
 - 5.7.5. Ensure that the risk disclosure is comprehensive, timely and relevant; and
 - 5.7.6. Discharge its duties relating to corporate accountability and the associated risk in terms of management, assurance and risk reporting;
 - 5.7.7. Satisfy itself about the effectiveness of the various processes and disciplines that are employed to manage MMI's balance sheet. Management is accountable to the Board to design, implement and monitor the balance sheet management processes and disciplines, and to integrate it into the day-to-day activities of the Group;
 - 5.7.8. Assist the Board to form an independent opinion (within an agreed-upon framework) about the quality, integrity and reliability of the GBSM processes and provide an objective oversight and review of the information presented by MMI's Executive Committee,

Executive GBSM Committee and GBSM business division about MMI's balance sheet management.

6. RESPONSIBILITIES – Risk and Compliance

6.1. The Committee will perform all the functions as is necessary to fulfil its role as stated above, including but not limited to the following:

- 6.1.1. Approve the MMI risk management policies and frameworks on behalf of the Board;
- 6.1.2. Review and form an opinion on the design, implementation and monitoring by management of the risk management process, and management's integration thereof into the day-to-day activities of the Group;
- 6.1.3. Review and approve risk appetite measures annually;
- 6.1.4. Ensure the development and annual review of risk management plans;
- 6.1.5. Monitor the implementation of the risk management systems and processes in accordance with the said policies and plans;
- 6.1.6. Make recommendations to the Board regarding the Group's appetite/tolerance for risk, and set risk strategy policies to monitor that risks are managed within the levels of tolerance and appetite as approved by the Board;
- 6.1.7. Ensure that risk assessments are performed on a continuous basis, by both the Enterprise Risk Management and Compliance functions, at a Divisional level and a Group level;
- 6.1.8. Engage in continued identification and evaluation of actual and potential risks, including opportunities, as they pertain to the Group as a whole;
- 6.1.9. Implement frameworks and methodologies to facilitate the anticipation/identification of unpredictable risks;
- 6.1.10. Ensure that management considers and implements appropriate risk responses;
- 6.1.11. Promote and ensure that continuous risk monitoring by management takes place;
- 6.1.12. Review reports concerning risk management that is to be included in the Group's Annual Financial Statements and/or Integrated Report and ensure that it is timely, comprehensive and relevant;
- 6.1.13. Review the risk philosophy, strategy and policies as described in the frameworks, and recommended by the MMI Risk Executive Committee, and consider reports from the MMI Risk Executive Committee;
- 6.1.14. Ensure compliance with risk policies, and with the overall risk profile of the Group;
- 6.1.15. Ensure that risk management, and internal control, is focused on:
 - Business performance and efficiency and effectiveness of business operations;

- Safeguarding of the Group's assets;
 - Compliance with statutory, regulatory, supervisory and best practice requirements;
 - Supporting business sustainability under normal as well as adverse operating conditions;
 - Reliable reporting; and
 - Responsible behaviour towards all stakeholders including but not limited to shareholders, policyholders and employees;
- 6.1.16. Ensure that the types of risks, in extrapolation of the definition of Risk in 5.1 hereof, that should be considered include:
- Insurance risk (Actuarial Committee);
 - Financial risk (including market risk, credit risk and liquidity risk);
 - Strategic, business and macroeconomic risk;
 - Operational risk (including process risk, information technology risk, human resources risk and legal risk);
 - Compliance Risk;
 - Investment management risk (Group Policyholder Investment Committee);
 - Tax risk; and
 - Product approval risk;
- 6.1.17. Review the adequacy of insurance coverage within the Group;
- 6.1.18. Review procedures to deal with the disclosure of information to clients;
- 6.1.19. Review any legal matters that could have a significant impact on the Group's business;
- 6.1.20. Review the effectiveness of the system of monitoring compliance with the relevant regulations, legislative frameworks, supervisory requirements and best practices within which the Group's businesses operate;
- 6.1.21. Submit recommendations to the Board for consideration or ratification as it pertains to risk matters;
- 6.1.22. Review and assess the integrity of the risk control systems and ensure that the supporting policies and strategies are effectively managed;
- 6.1.23. Review the nature, role, responsibility and authority of the Enterprise Risk and Compliance Management functions within the Group;
- 6.1.24. Oversee that the risk management frameworks are widely disseminated throughout the Group and integrated in the day-to-day activities of the Group;

- 6.1.25. Monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;
- 6.1.26. Liaise closely with the Audit Committee to exchange information relevant to risk;
- 6.1.27. Review reporting concerning risk management that is to be included in the integrated report to ensure it is timely, comprehensive and relevant;
- 6.1.28. The Committee shall express a view annually on the committee's satisfaction of the performance of the head of the risk and compliance control functions to the extent prescribed by law;
- 6.1.29. The appointment, disciplining and dismissal of the head of the risk and compliance control functions as prescribed by law shall be done in consultation with the Board of Directors and/or relevant Board Committees or Chairman of the such Board Committee;
- 6.1.30. Perform responsibilities required by relevant Board-approved policies including the review and approval of such policies; and
- 6.1.31. Assist the Board with the identification of a build-up and concentration of risk.

7. RESPONSIBILITIES – Balance Sheet Management

- 7.1. The Committee will perform all the functions as is necessary to fulfil its role as stated above, including but not limited to the following:
 - 7.1.1. Review the reports and disclosure concerning MMI's balance sheet management activities that are to be included in the Group's Annual Financial Statements and ensure that such reports are comprehensive, relevant and consistent with the Group's approach towards balance sheet management;
 - 7.1.2. Review the nature, role, responsibility and authority of the executive balance sheet management functions within the Group;
 - 7.1.3. Oversee that MMI's balance sheet management frameworks are widely disseminated throughout the Group and integrated in the day-to-day activities of the Group; and
 - 7.1.4. Monitor external developments relating to balance sheet management.
- 7.2. In respect of shareholders' exposure to market risks, the Committee should satisfy itself about:
 - 7.2.1. Whether all the risks to MMI's economic value, earnings and solvency, emanating from market risks are properly identified;
 - 7.2.2. The methodologies and measures used to quantify and monitor market risks and to recommend such changes thereto as are deemed to be appropriate;
 - 7.2.3. The limits applicable to and risk appetites in respect of market risk exposures;

- 7.2.4. The potential implications of funding or capital instruments on MMI's net market risk position and suggest or approve approaches to manage the net market risk position; and
 - 7.2.5. The management of MMI's exposure to market risks (*inter alia* by monitoring MMI's actual exposures to market risks against the approved risk appetite and limits) and whether adequate governance disciplines and management processes are in place.
- 7.3. In respect of shareholders' funding and liquidity, the Committee should satisfy itself about:
- 7.3.1. Whether MMI's liquidity requirements and funding dynamics are properly identified, quantified, modelled and managed;
 - 7.3.2. MMI's liquidity and funding position and whether the risk appetite parameters and limits (where-in the funding and liquidity position are managed), are appropriate;
 - 7.3.3. The adequacy of the steps that are taken by MMI to secure funding at an optimal cost from diversified and sustainable funding sources, within approved liquidity risk appetite and limits;
 - 7.3.4. The adequacy of steps that are taken to ensure that the assets backing MMI's capital resources are sufficiently liquid to meet expected and unplanned capital liquidity requirements from the shareholder capital portfolio and the relevant regulatory requirements for assets backing capital instruments; and
 - 7.3.5. The management of MMI's liquidity position and risk profile and whether MMI will at all times have sufficient liquidity resources to meet its obligations to policyholders, creditors and other stakeholders.
- 7.4. In respect of shareholder credit risk management, the Committee should satisfy itself about:
- 7.4.1. MMI's credit management framework, methodology and capability;
 - 7.4.2. MMI shareholder's exposure to credit risks and the risk appetite towards credit risk;
 - 7.4.3. The limits applicable to MMI's credit risk exposures and the monitoring thereof; and
 - 7.4.4. The adequacy and robustness of the disciplines and tools that are used to measure, monitor and manage MMI's credit risk exposure and risk limits.
- 7.5. In respect of capital management, the Committee should satisfy itself about:
- 7.5.1. MMI's operational and strategic capital management activities and capital adequacy, as well as the overall approach and strategy towards the management of MMI's capital;
 - 7.5.2. Approve the MMI capital management and related balance sheet management policies and frameworks on behalf of the Board;
 - 7.5.3. The robustness and adequacy of MMI's capital modelling framework and methodology, including appropriateness of validation, review and sign-off frameworks;
 - 7.5.4. MMI's overall approach to determine the optimal capitalisation level and composition of capital resources, taking into account the approved capital risk appetite. The approach

towards capital must balance and satisfy the requirements of all stakeholders, taking into account the potential volatility impact of MMI's earnings and solvency position. This includes the determination of appropriate capital buffers above minimum regulatory capital requirements and maintaining appropriate level of balance sheet strength to support MMI's business and risk strategy;

- 7.5.5. MMI's overall approach towards the investment of capital. In particular, the objectives and policies regarding the investment of capital and the policy regarding the hedging of the invested capital and the desired capital investment risk profile, taking into account the risk appetite for capital security and liquidity of capital resources;
- 7.5.6. Whether the financial, insurance and operational risk that are directly borne by shareholders are managed in an acceptable manner (especially when such risks attract economic capital requirements);
- 7.5.7. MMI's overall capital adequacy as measured by the economic capital requirements (demand for capital) and the available capital resources (supply of capital). This includes consideration for the quality of capital resources;
- 7.5.8. MMI's overall approach towards allocation of capital to business and risk activities with the aim of creating long-term shareholder value and sustainable growth and risk-adjusted returns; and
- 7.5.9. MMI's ability to remain adequately capitalise over the business planning period, by considering the projected economic capital requirements and available capital resources as part of the Own Risk and Solvency Assessment (ORSA) process.

8. RESPONSIBILITIES – Other

- 8.1. Report regularly to the Board to assist them in ensuring adherence to the Company objectives; and
- 8.2. The Committee shall report to the MMI Board on a quarterly basis.

9. AUTHORITY

- 9.1. The Committee in the fulfilment of its role and responsibilities:
 - 9.1.1. Will act in terms of the delegated authority of the Board as recorded in these Terms of Reference;
 - 9.1.2. Has the power to investigate any activity within the scope of these Terms of Reference;
 - 9.1.3. Has the right to obtain independent outside professional expertise and advice to assist with the execution of its duties, subject to following a Board-approved process;
 - 9.1.4. Shall make recommendations to the Board that it deems appropriate relating to any area within the ambit of its Terms of Reference where action or improvement is required;

- 9.1.5. May call upon the Chairperson of the other Board committees, any of the executive directors, officers or company secretary to provide it with information, subject to following a Board-approved process; and
 - 9.1.6. Has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 9.2. The Committee will monitor the risk profile of the Group as a whole by reviewing reports submitted by the Risk Executive Committee as they pertain to risks within the various divisions within MMI.

10. MEETINGS AND PROCEDURES

10.1. Frequency:

- 10.1.1. The Committee should hold sufficient scheduled meetings with no less than three meetings a year to discharge all its duties as set out in these Terms of Reference and other relevant Company documents and applicable policies or directives;
- 10.1.2. Meetings in addition to those scheduled may be held at the request of the Chief Executive Officer, Chief Risk Officer, or other members of senior management, or at the instance of the Board, after consultation with the Chairperson of the Committee;
- 10.1.3. The Chairperson of the Committee may meet with the Chief Executive Officer, and must meet with the Chief Risk Officer and/or the Group Company Secretary (as may be appropriate) prior to a Committee meeting to discuss important issues and agree on the agenda;
- 10.1.4. A schedule of regular meetings shall be provided to the members at the beginning of each year;
- 10.1.5. Unless varied by these Terms of Reference, meetings and proceedings of the Committee will be governed by the Company's Constitution that regulates the meetings and proceedings of Committees;
- 10.1.6. A meeting may be conducted by way of electronic media such as video or telephone conferencing;
- 10.1.7. Should the need arise for a decision to be taken by the Committee and, due to urgency, the matter cannot be postponed until the next Committee meeting, the required decision may be obtained by following the process as set out hereunder:
 - An appropriate memorandum must be prepared, addressing the relevant background facts and setting out the proposed resolution;
 - The Committee secretary must e-mail or fax the documentation to each member and advise the members of the time and date when a written response is required;
 - For a decision to be legitimately taken by round robin procedure, the support of the majority of members (of whom at least half should be non-executive) is required in writing and signed by them (and for the purposes of this procedure, communication per

fax and/or e-mail will be regarded as being in writing). Should a Committee member object to a decision, the remaining members of the Committee must be advised of the objection; and

- At the Committee meeting following the date of the round robin decision, the Committee secretary must report fully on the decision so taken by the Committee. The Committee secretary must record all such decisions taken in the minute book of the Committee.

10.2. Attendance:

- 10.2.1. The Chairperson may invite any member of staff from MMI, or its subsidiaries, or any Division, including external professional advisors, to Committee meetings as and when required, provided that a Board-approved process is followed. Invitees to meetings attend by invitation only and they may not vote on matters at the meeting;
- 10.2.2. The following persons shall attend Committee meetings as appropriate (but have no voting power):
- 10.2.3. MMI Chief Risk Officer (CRO);
- 10.2.4. MMI Head of Actuarial Control Function, if such a person is appointed or representative; and
- 10.2.5. MMI Head of Compliance Control Function.
- 10.2.6. Committee members will attend all scheduled meetings of the Committee, including meetings called on an *ad hoc* basis for special matters, unless prior apology, with reasons, have been submitted to the Chairperson or Committee secretary; and
- 10.2.7. If the nominated Chairperson of the Committee is absent from a meeting, the members present shall elect one of the members present to act as Chairperson for that meeting.

10.3. Agenda and Minutes:

- 10.3.1. The Committee shall establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year;
- 10.3.2. The notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, together with the supporting documentation, shall be forwarded to each member of the Committee not less than five (5) working days prior to the date of the meeting;
- 10.3.3. Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed; and
- 10.3.4. The minutes of meetings shall be completed as soon as possible after the meeting and circulated to the Chairperson for review thereof. The minutes will be formally approved by the Committee at its next scheduled meeting.

10.4. Quorum and voting:

- 10.4.1. A quorum for meetings shall be a simple majority of members present, namely 50% (fifty percent) + one member;
- 10.4.2. Members who are not directors of MMI form part of the quorum for Committee meetings and shall participate in all discussions at meetings. However, these members shall have no voting rights where decisions are to be voted on;
- 10.4.3. Individuals in attendance at Committee meetings by invitation may participate in discussions at meetings but do not form part of the quorum for Committee meetings, and shall have no voting rights where decisions are to be voted on; and
- 10.4.4. Wherever possible the Committee will take decisions on a consensus basis. Where consensus cannot be reached, voting shall take place by a show of hands. For record purposes, only the votes of the members of the Committee who are directors shall be counted, whether or not consensus is reached.

11. REMUNERATION

- 11.1. Committee members not holding executive office in MMI shall be compensated for their services, with the Chairperson being entitled to an additional fee for his/her service.

12. EVALUATION

- 12.1. The Board, and each member of the Committee, will perform an evaluation of the effectiveness of the Committee annually.

13. REVIEW

- 13.1. These terms of reference shall be reviewed annually by MMI Secretarial and where deemed necessary shall be submitted for the necessary reviews and approval.