



M&G plc
(Company number: 11444019)
(the “Company”)

Terms of Reference for the Risk Committee

1. Purpose

- 1.1 The Board of Directors of the Company (the “**Board**”) has established a Risk Committee (the “**Committee**”) whose duties and responsibilities are discharged with respect to the Company and, where indicated, the M&G plc Group of Companies (together, the “**Group**”).
- 1.2 The Committee is responsible for assisting the Board in its oversight of risk, including but not limited to:
- (i) Advising the Board on the Group’s overall risk appetite, risk tolerances and risk strategy;
 - (ii) Reviewing the Group’s Risk Management Framework (“**RMF**”) and advising the Board on its overall effectiveness;
 - (iii) Approving the Group’s risk and compliance policies and/or recommending to the Board approval of these policies;
 - (iv) Reviewing current and potential future risks and the mitigation strategies for these;
 - (v) In conjunction with the Audit Committee reviewing the effectiveness of financial and non-financial controls across the Group’s internal control framework;
 - (vi) Reviewing the effectiveness of internal models including stress testing;
 - (vii) Reviewing the ORSA and, in conjunction with the Audit Committee, compliance with regulatory requirements;
 - (viii) Advising the Remuneration Committee on Risk and control issues that may impact remuneration strategy in any given year including adjustments to individual incentives; and
 - (ix) Receiving information, via its regular risk, compliance, regulatory and other reporting on entities that are subsidiaries of the Company and form part of the Group. The Committee is not the risk committee for those entities but has responsibility for oversight of any issues escalated to it by Group subsidiaries.



Constitution of the Committee

- 1.3 **Membership** – There shall be at least three members of the Committee, one of whom must be the Chair of the Audit Committee. All members of the Committee shall be Independent Non-Executive Directors (“**Directors**” and each a “**Director**”) as determined by the Board in accordance with the UK Corporate Governance Code (the “**Code**”). All members shall have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Company and the Group.
- 1.4 **Appointment of Members** – The Board shall appoint members of the Committee, following recommendation by the Nomination Committee, in consultation with the Chair of the Committee (the “**Committee Chair**”).
- 1.5 **Appointment Term** – Appointment of members shall be for a period of up to three years which may be extended by a further two additional periods of up to three years, subject to the Director still meeting the criteria for membership of the Committee.
- 1.6 **Chair** – The Committee Chair should be recommended by the Nomination Committee and shall be appointed by the Board. The Chair of the Board shall not be a Committee member.
- 1.7 **Quorum** – The quorum for meetings shall be two members, one of whom shall be the Committee Chair, or their appointed deputy, and the other a member of the Board’s Audit Committee. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 1.8 **Voting** – Each Committee member in attendance at a meeting (whether in person or by telephone or video conference) shall have one vote which may be cast on matters considered at the meeting except where they are deemed either directly or indirectly to have a personal interest. The Committee Chair shall have a casting vote except where he or she has a personal interest.
- 1.9 **Secretary** – The Company Secretary of the Company (the “**Secretary**”), or their nominee, shall act as secretary to the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues and matters laid before it.
- 1.10 **Frequency of Meetings** – The Committee shall meet at least four times per annum including at an appropriate time in the Company’s financial reporting and audit cycle to consider risk disclosures in the Annual Report and Accounts and, where relevant, in the half-yearly report and at any other time as the Committee’s role and responsibilities require. Meetings may be conducted by telephone or video



conference and decisions made by such means shall be appropriately recorded and shall have the same effect as those conducted in person.

- 1.11 **Attendance at Meetings** – Only Committee members have the right to attend Committee meetings. Other individuals such as the Chief Financial Officer, Chief Risk & Compliance Officer and Chief Auditor shall be invited to attend. Other non-members may be invited to attend all or part of any meetings as and when the Committee Chair considers it appropriate.
- 1.12 **Notice of Meetings** – Meetings of the Committee shall be convened by the Secretary at the request of the Committee Chair or any other Committee member. Unless otherwise agreed, and except where a situation of urgency otherwise requires, wherever practicable, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each Committee member no later than five business days before the date of the meeting. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time or at shorter notice with the Committee Chair's approval.
- 1.13 **Minutes of Meetings** – The Secretary, or their nominee, shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance. Draft minutes shall be agreed with the Committee Chair and circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other Board members unless, in the Committee Chair's opinion, it is inappropriate to do so.

2. Annual General Meeting

- 2.1 The Committee Chair shall attend the Annual General Meeting (the “**AGM**”) of the Company to answer shareholder questions with respect to the Committee's activities as they relate to the Company.

3. Responsibility

The Committee shall carry out the following duties:

Group Risk Appetite, Tolerance, Profile and Strategy

- 3.1 Advise the Board on the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities, including the Bank of England, the Prudential Regulation Authority (the “**PRA**”), the Financial Conduct Authority (the “**FCA**”) and other authoritative sources that may be relevant for the Group's risk policies.



- 3.2 On an annual basis, ensure that a robust assessment of the current, emerging and principal financial and non-financial risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity) and provide advice on the management and effective mitigation of those risks.
- 3.3 Oversee and advise the Board on the current and prospective financial and non-financial risks faced by the Company and its strategy in relation to future risks.
- 3.4 Seek assurance on the risks the company identifies as those to which the business may be exposed.
- 3.5 Continuously review the Group's overall risk assessment processes.
- 3.6 Ensure that risk management is properly considered in Board decisions.
- 3.7 Where appropriate, review opinions prepared by Risk or Compliance on proposed strategic transactions impacting the Group including strategic acquisitions or disposals, or material adjustments to the Group's capital, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Group, and taking independent external advice where appropriate.
- 3.8 Oversee the embedding and maintenance of a supportive risk culture across the Group.
- 3.9 Consider proposed material changes to the Group's risk profile or risk appetite arising from planned new or increased business.

Group Risk Management Framework and Internal Controls

- 3.10 Review and approve changes made to the Group's RMF and risk policies, recommending to the Board any material policies which require Board approval.
- 3.11 Review compliance with the Group's RMF and risk policies, including resultant actions in respect of policy breaches.
- 3.12 Where requested by the Audit Committee, input into the review of the adequacy and effectiveness of the Group's RMF and internal control systems.
- 3.13 Review and approve the Risk Committee Report and risk management statements to be included in the Company's Annual Report and Accounts.
- 3.14 Review the adequacy of the Group's compliance and risk management functions.



- 3.15 Approve the appointment and/or removal of the Chief Risk & Compliance Officer (the “CRCO”), monitor the performance of the CRCO and provide feedback to the Chief Executive Officer and the Remuneration Committee on the CRCO’s performance.
- 3.16 Review the outcomes of stress and scenario testing and monitor management’s response to the results.

Risk Models and Measures

- 3.17 Annually review the overall effectiveness of the Group’s Internal Model.
- 3.18 Review and approve the overall methodology and key assumptions used in the Group’s Internal Model for determining economic and regulatory capital requirements for the Group.
- 3.19 Review the appropriateness of any proposed major change in the Group’s Internal Model and making recommendations to the Board as required.

Regulatory Matters

- 3.20 Review the annual Own Risk and Solvency Assessment (the “ORSA”) and other regulatory disclosures for recommendation to the Board and oversee the process of review and approval of the Internal Capital Adequacy and Risk Assessment (the “ICARA”) and any other ORSAs in the Group by the relevant subsidiary Boards.
- 3.21 Consider and, where necessary, update and approve, on behalf of the Board, any financial or operational risk policy statements required by law or regulation.
- 3.22 Review emerging regulations, regulatory risks and changes in the financial environment with an impact on the Group’s risk profile.

Compliance and Fraud

- 3.23 Review procedures and controls for the prevention and detection of fraud and bribery across the Group and policies for ensuring that the Company complies with relevant regulatory and legal requirements and receive reports on non-compliance.

Remuneration

- 3.24 Provide advice to the Board’s Remuneration Committee on risk management considerations to be applied to remuneration architecture, policies and performance measures, including risk adjustments to the incentive pool as well as risk adjustments to individual incentive packages, to ensure risk management culture and conduct is appropriately reflected in the design and implementation of remuneration policy across the Group.



ESG risk

- 3.25 Assess risks related to Environmental, Social and Governance (ESG) matters within the Group Risk Management Framework, including climate-related stress and scenario testing and the reporting of risk disclosures in respect of climate-related risks, and provide advice to the Board as required to assist it in setting the Group's ESG strategy and its ESG values and principles.

4. Reporting Responsibilities

- 4.1 The Committee Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and, subject to clause 2.10, shall make its minutes available to the Board.
- 4.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 4.3 The Committee shall compile a report on its activities to be included in the Company's Annual Report which shall include details of the Committee's membership and a description of the Company's risk management strategy and key risk exposures.
- 4.4 The Committee shall review and agree any risk disclosures in the Annual Report and Accounts, in particular any disclosures in the Directors' report relating to risk management objectives and policies and statement(s) with respect to internal controls and risk management.
- 4.5 The Committee shall make its Terms of Reference available to the public and the Company's shareholders via the Company's website.
- 4.6 The Committee shall review and endorse statements in relation to financial and operational risk made in the risk management section of the Annual Report and Accounts.
- 4.7 The Committee is entitled to request from subsidiary risk committees copies of minutes of proceedings and any reports referred to therein.

5. Authority

- 5.1 The Committee shall be authorised to seek any information it requires from any Group employee in order to perform its duties and call any employee to be questioned at a Committee meeting as and when required.



- 5.2 The Committee shall be authorised to obtain, at the Companies' expense, independent legal, or other professional advice on any matter on which it believes it necessary to do so.
- 5.3 The Committee shall liaise regularly with the Board's Audit Committee and where there is perceived overlap of responsibilities between the Committee and the Audit Committee, the respective Committee Chairs shall have discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the Terms of Reference of the Committee or the Audit Committee shall be deemed to have been fulfilled providing it is dealt with by either the Committee or the Audit Committee. The Committee shall liaise with other Board Committees as appropriate. Where the Committee requests any reviews to be carried out which have an impact on the Audit Committee, the Committee Chair shall liaise with the Audit Committee Chair to determine the most appropriate way to update the Audit Committee.

6. Other

- 6.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 6.2 Each member shall receive an induction upon appointment to the Committee. The level of induction needed will be considered by the Committee Chair and the Secretary. The Committee shall receive training on an ongoing basis.
- 6.3 The Committee shall give due consideration to laws and regulations, the provisions of the Companies Act 2006, the Code, guidance as issued by the PRA, the FCA (and/or any and all regulators of the Company or the Group or any one of its constituent entities) and the requirements of the FCA's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.
- 6.4 The Committee shall oversee any investigation of activities which are within its Terms of Reference.
- 6.5 The Committee shall undertake a formal and rigorous annual review of its own performance and review its Terms of Reference at least annually, to ensure it is operating at maximum effectiveness. Any changes to the Committee's Terms of Reference must be approved by the Board.

Approved by the Board on 14 December 2022

Approval History

Date	Version	Approved By	Details
14 December 2022	V4	Board	Annual Review
14 December 2021	V3	Board	Annual Review



02 December 2020	V2	Board	Annual Review
22 July 2019	V1	Board	Inaugural TOR