

MGM Advantage Life Limited (“the Company”)

Risk, Capital & Investment Committee

Terms of Reference

1. Purpose

- 1.1 The purpose of the Board’s Risk, Capital & Investment Committee (the “Committee”) is to:
- oversee the risk management framework for the Company;
 - oversee the regulatory capital position of the Company; and
 - assist the Board in fulfilling its oversight responsibilities for the Company’s investment activities and the consideration of issues arising from them.
- 1.2 The Committee is responsible for reviewing on behalf of the Board:
- the Company’s strategic Enterprise Risk Management framework including risk strategy and appetite;
 - the assessment of the regulatory capital requirements and ongoing capital management of the Company;
 - compliance with, and governance and oversight of, the Company’s Matching Adjustment (MA) and Partial Internal Model (PIM) including the making of expert judgements;
 - the strategic framework within which the Company’s investment team operates to ensure that the Company manages its investments within its risk appetite and, when applicable, provides returns in line with reasonable expectations of policyholders; and
- all investment activities.
- 1.3 The Committee shall determine as appropriate the specific matters that it will consider in order to carry out its responsibilities.

2. Membership

- 2.1 The Committee shall consist of not less than three members determined by the Board from the Directors of the Company and must include at least two Non-Executive Directors of the Company.
- 2.2 The Chairman of the Committee shall be a Non-Executive Director appointed by the Board.
- 2.3 A quorum shall be two members. A quorate meeting must not have a majority of executive members. Arrangements for alternates for members of the Committee, who may form part of the quorum for a meeting, may be agreed by the Board.

3. Attendance at Meetings

- 3.1 The Committee may invite any Director, executive, external auditor or other person as it may from time to time consider desirable to attend any meetings of the Committee or to assist the Committee in the fulfilment of its duties. It is expected that the Chief Risk Officer, the Chief Finance Officer, the Chief Actuary and/or Actuarial Function Holder, and the Head of Investments will usually attend each meeting of the Committee.
- 3.2 Any Board member may attend any Committee meeting with the prior consent of the Chairman of the Committee, which consent shall not be unreasonably withheld.
- 3.3 The Company Secretary or his or her nominee shall be the Secretary of the Committee.

4. Frequency of Meetings

- 4.1 Formal meetings shall be held at least four times a year.
- 4.2 The Chairman of the Committee may call additional meetings to examine and consider such other matters relating to the Committee's responsibilities as he may consider desirable.
- 4.3 The Agenda for meetings shall be circulated in advance to members of the Committee.

5. Resources

- 5.1 The Committee shall be provided with sufficient resources to undertake its duties.

6. Authority

- 6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any Director or employee of the Company or of any immediate parent or sister companies.

- 6.2 The Committee is authorised by the Board at the expense of the Company to obtain, through the Company Secretary, appropriate professional external advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 6.3 In carrying out its duties under these terms of reference the Committee shall have regard to the requirements of any applicable statutory and regulatory obligations.

7. Role and Responsibilities

The Committee shall:

Risk

Risk Management Framework

- 7.1 Review, challenge and recommend to the Board the Company's overall Enterprise Risk Management framework ("ERM framework") and the strategies and policies for managing risk, considering their suitability and effectiveness for identifying, assessing and managing current and future risks – to be carried out at least annually and whenever there is a significant change in risk profile, for example arising from changes in the structure of the Company or the business environment;
- 7.2 Review annually and recommend to the Board the Company's risk strategy, tolerance and appetite;
- 7.3 Review annually and recommend to the Board the Company's policies in relation to the Company's principal risks (such as strategic and reputational, , operational, insurance, liquidity, expense, conduct and market risks), including the completeness and effectiveness of the process for identifying, assessing, managing and monitoring such risks by the Company;
- 7.4 Review and challenge risk information received by the Committee and the Board, including the quarterly Risk and Control Self-Assessment including whether the information is used to ensure that key risks are managed to an acceptable level and cost effectively;

Partial Internal Model

- 7.5 Review annually and recommend to the Board the Company's policies in relation to the Partial Internal Model (PIM) (such as Governance, Use, Validation, Data, Expert Judgment, Model Change; and policies in relation to broader Solvency II key processes (such as the ORSA policy);
- 7.6 Oversight of the design and implementation of the Partial Internal Model;
- 7.7 Oversight and challenge of Partial Internal model calibration and make any appropriate observations and recommendations to the Board;
- 7.8 Review and challenge of expert judgements in respect of the Partial Internal model (including the internal rating in respect of Equity Release Mortgage Assets) and make any appropriate observations and recommendations to the Board;



- 7.9 Review and challenge of minor and major changes and make recommendations to the Board;
- 7.10 Review and challenge the Partial Internal Model (PIM) Validation Report and make appropriate observations and recommendations to the Board;

Matching Adjustment

- 7.11 Review and oversee compliance with the Company's Matching Adjustment (MA) requirements; including governance and oversight arrangements, and consider any changes recommended by the Executive Risk and Investment Committee (ERIC);
- 7.12 Review cash flow matching and projected liquidity within the MA portfolio;
- 7.13 Review trading activity within the MA portfolio to ensure compliance with Matching Adjustment eligibility requirements and investment strategy, including investment limits;
- 7.14 Review any proposed changes to policies, products, or asset classes to be included within the MA to ensure their eligibility and that they will not cause the MA portfolio to become mismatched;
- 7.15 Annually, or more frequently if required, receive and review reports from ERIC on the matching criteria for the MA portfolio and an assessment of liquidity risks within the portfolio;
- 7.16 Review reports from ERIC on the attribution of profits and losses within the portfolio, and any recommendations in respect of surplus to be extracted from the portfolio in line with surplus extraction requirements;

Risk Oversight

- 7.17 Review and recommend to the Board action on significant risk issues, trends, practices and loss events that have implications for the Company;
- 7.18 Review and report to the Board on the management of material risk events or emerging risk events and the implementation of any appropriate remedial actions, including management's assessment of the likelihood of such risks materialising;
- 7.19 Review and recommend to the Board any material risk mitigation activities, such as reinsurance and hedging strategies;
- 7.20 Oversee any due diligence appraisal of proposed strategic or significant transactions if requested to do so on behalf of the Board;
- 7.21 Approve the appointment and termination of appointment of the Chief Risk Officer;
- 7.22 Review annually and recommend to the Board the assignment of risk management responsibilities, and ensure that the risk function has adequate resources and appropriate access to information to enable it to perform its function effectively and independently;
- 7.23 Report as required to the Board including details of material control weaknesses and agreed actions;



- 7.24 Review the Risk sections in the Annual Report and any external, regulatory risk reporting of the Company and/or its parent and recommend their acceptance to the Board;

Capital

- 7.25 Monitor the use of capital by the Company so as to ensure that it is optimally structured to meet regulatory and risk benchmarks;
- 7.26 Review the governance of, and the methodology and assumptions used in, the Company's models for assessing economic risk capital in order to satisfy itself that the models are fit for purpose and reflect the risk profile of the business;
- 7.27 Review, challenge and recommend to the Board any changes to the capital model;
- 7.28 Review the Own Risk & Solvency Assessment and provide recommendations to the Board;
- 7.29 Review and consider the results of any stress tests used to assess the adequacy of economic and regulatory capital and liquidity and make appropriate recommendations to the Board;

Investment

- 7.30 Consider and recommend to the Board the Company's overall investment policy having regard to the requirement that the assets should be invested to produce the best possible return consistent with a prudent approach;
- 7.31 Ensure that the investment policy takes account of any investment guidelines determined by the Board, any constraints imposed by regulatory authorities or recommended by the Actuarial Function Holder having regard to solvency requirements;
- 7.32 Monitor the effectiveness and implementation of the investment policy under 7.30;
- 7.33 Receive reports and minutes from the Investment Oversight Committee; and consider any recommendations from that Committee for changes to investment funds offered under the Flexible Income Annuity (FIA) and Retirement Account investment propositions;
- 7.34 Review the performance of the fund managers in accordance with the investment mandates and instigate any necessary corrective actions for fund managers' consideration, taking into account any recommendations from the Investment Oversight Committee in respect of funds offered under FIA and the Retirement Account;
- 7.35 Review the performance of the Company's funds and receive reports and recommendations on the performance of sub funds from the Investment Oversight Committee, by reference to the relevant benchmarks/indices and, where relevant, the performance of competitors;
- 7.36 Review and approve the implementation of the strategic asset and liability allocation of all investment funds, and consider any recommendations from the Investment Oversight Committee;



- 7.37 Monitor tactical asset allocation decisions made by executive management within its agreed parameters;
- 7.38 Challenge the ratings applied to both internally and externally rated investment assets;
- 7.39 Approve the over-arching principles of all investment mandates (Shareholder and policyholder), including fee arrangements, and review monitoring of compliance against these mandates by management and the Investment Oversight Committee;
- 7.40 Consider any recommendations from the Investment Oversight Committee from its periodic reviews of the continuing appropriateness of the external investment managers appointed to manage the Company's investments and make recommendations to the Board of any changes (with such powers of appointment remaining with the Board);
- 7.41 Monitor compliance with the regulatory requirements relating to the investment of insurance company assets;
- 7.42 Monitor and review the use and management of any collateral or other security arrangements in respect of credit risk exposures to third parties; and
- 7.43 Determine and monitor the Company's policy on stock lending.

8. Authority to Delegate

- 8.1 The Committee may delegate to executive management within limits specified by the Committee from time to time all powers reasonably necessary to carry out the investment policy and/or provide instructions to fund managers in writing and may impose reporting requirements as it considers appropriate.

9. Relationship with the Board

- 9.1 The role of the Committee is for the Board to decide and to the extent that the Committee undertakes tasks on behalf of the Board or any other Board committee, the results should be reported to, and considered by, the Board and committees as appropriate. In doing so, the Committee should identify any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.
- 9.2 The Committee should review annually its terms of reference and its own effectiveness and recommend any necessary changes to the Board.

10. Reporting Procedures

- 10.1 The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

Adopted by the Board, as amended, on 29 September 2016