



RISK COMMITTEE CHARTER

PURPOSE OF COMMITTEE

1. The purpose of the Insurance Australia Group Limited Risk Committee (**Committee**) is to assist the boards of IAG Limited and its subsidiaries and related entities (**IAG or the Group**) in fulfilling their risk management and compliance responsibilities including:
 - a. oversight of material risks to which IAG is exposed, and oversight of risk management and control systems for adequacy and effectiveness;
 - b. monitoring the Group's compliance with the Group Risk Management Strategy (**Group RMS**), Group Reinsurance Risk Management Strategy (**Group REMS**) and other governance and risk related Group Policies identified in the Group RMS;
 - c. effective operation of compliance systems having regard to the requirements of applicable laws, regulations, industry codes, listing authorities' rules and organisational policies, and frameworks;
 - d. oversight of the Group's risk management and governance frameworks; and
 - e. safeguarding the independence of the Group Chief Risk Officer (**CRO**) and Chief Actuary and the risk management and compliance functions.
2. The Committee was established by resolution of the Board and is provided with the powers necessary to enable it to perform its functions.
3. The Committee is also empowered as the risk committee of those subsidiaries of IAG which are authorised general insurers regulated by the Australian Prudential Regulation Authority (**APRA**) as noted in Appendix A, and such other subsidiaries of IAG as the Board may from time to time resolve.
4. References to 'Company', 'Board' or 'Boards' in this Charter also apply to each of those subsidiary companies.
5. The Committee will have free and unfettered access to IAG executives and senior management, the Global External Peer Review (**EPR**) Actuary, Auditor(s), and any other parties (internal or external) required by the Committee to fulfil its role.
6. The Boards, IAG executives and senior management, the EPR Actuary, Auditor or their delegates will have free and unfettered access to the Committee and information required to fulfil their respective roles.

COMPOSITION

7. The Committee will comprise a minimum of four members, all of whom shall be independent Non-Executive Directors of IAG, where 'independent' has the meaning attributed to it in Appendix A of the Board Charter.
8. The Committee shall include members with sufficient skill, experience and technical expertise such that overall the Committee will have the understanding of the Group's business and risk requirements required to perform the Committee's role under this Charter.
9. The Board will appoint the Committee members and the Chair.
10. The Chair of IAG shall not be the Chair of the Committee.

MEETINGS

11. The Committee will meet as often as required to undertake its role effectively, but not less than four times per calendar year.
12. The Committee must invite the CRO to attend all relevant parts of Committee meetings.
13. A quorum will be a number equal to:
 - a. where the number of Committee members is an even number, half that number, plus one;
 - b. where the number of Committee members is an odd number, half that number rounded up to the next whole number.
14. Any issues requiring resolution arising at any meeting of the Committee will be decided by a majority of votes. The Chair does not have a casting vote.
15. The Company Secretary, or such other person as the Board may nominate, will act as Secretary to the Committee.
16. The Chair will be required to call a meeting of the Committee if requested to do so by any Committee member, the CEO or CRO.
17. The Committee members will hold at least two meetings per calendar year with any or all of the CRO, the Chief Actuary, Group General Manager Internal Audit or Group General Manager Enterprise Risk without other management personnel being present.

REPORTING

18. The Committee will be responsible for the conduct of its proceedings and will ensure that its meetings are minuted and reported to the Board.
19. The Committee will oversee the preparation of any reports on the Group's Risk Management Framework as set out in the Group RMS and Group REMS, to assess its effectiveness to identify, assess, manage and monitor all material Group risks and at least annually review, and report to the Board on, the effectiveness of the Group's Risk Management Framework.

RESPONSIBILITIES

Risk appetite

20. Review and recommend the Group's Risk Appetite Statement (**RAS**) to the Board for approval.
21. Approve the risk appetite metrics that support the RAS.
22. Establish the Group-wide view of the Group's current and future risk position relative to its risk appetite and capital strength.

Risk management

23. Monitor the effectiveness of the risk management function in fulfilling its responsibility for the development and maintenance of the Group's Risk Management Framework.
24. Review and recommend the Group RMS and Group REMS for approval to the Board.
25. Review and recommend the following Group policies to the Board for approval:
 - a. Group Anti-Money Laundering Policy;
 - b. Group Business Continuity Management Policy;

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- c. Group Financial Delegations & Authorities Policy;
 - d. Group Fit and Proper Policy;
 - e. Group Outsourcing and Service Provision Policy.
26. Approve policies for managing risk.
27. Oversee senior management's implementation of the risk management strategy.
28. Review and recommend to the Board the contents of the annual declaration on risk management to be made to APRA.

Overall risk governance and risk culture

29. Oversight of senior management's monitoring and management of material risks consistent with the strategic objectives, risk appetite and policies approved by the Board and the Committee.
30. Ensure a sound risk culture is established and maintained throughout the Group and receive regular reporting to demonstrate that the Group is operating within Risk Appetite.
31. Monitor that risk culture is considered in the Group's broader culture initiatives.

Capital management – Internal Capital Adequacy Assessment Process (ICAAP)

32. Review the independent ICAAP review report, which is conducted at least every three years, on the adequacy and effectiveness of the ICAAP.
33. Review the outcomes of the Group's stress testing.
34. Review and monitor the controls for the ICAAP and recommend to the Board any significant changes to the ICAAP.
35. Approve the annual ICAAP report.
36. Recommend the Group CEO ICAAP declaration for approval by the Board.
37. Review and monitor capital levels to ensure alignment with the Group Risk Appetite Statement.

Compliance management

38. Ensure that the Compliance Framework is supported by appropriate monitoring systems and compliance reporting.
39. Review the Group's compliance with standards, applicable laws, regulations, regulatory requirements, listing authorities' listing rules, and internal policies.
40. Review the management and the effectiveness of regulator relationships and the compliance processes that are in place to anticipate and effectively manage the impact of regulatory change on the Group's operations.
41. Review the adequacy and appropriateness of the Group's financial and human resources devoted to the implementation, operation and maintenance of an effective compliance framework.
42. Review the policies and procedures for Company employees to confidentially raise concerns in relation to accounting, internal control, compliance, audit and any other matter, including inappropriate behaviour.

Other responsibilities

43. The Committee may consider any risk management matter, notwithstanding that the particular matter may have been previously referred to, and considered by, another Board Committee.
44. Review and monitor the effectiveness of the Chief Risk Officer (CRO), Chief Actuary and the risk management and compliance functions and the adequacy of their organisational structures.
45. Receive and review risk management reports prepared by the CRO and Chief Actuary, and the risk management function and management, and challenge senior management's proposals and decisions on all aspects of risk management arising from the Group's activities.
46. Review and monitor the effectiveness of the Business Continuity Management Framework and its compliance with regulatory requirements.
47. Review the scope, cover and cost of the Group corporate insurance program.
48. Retain advice from such experts as required by the Committee to carry out the responsibilities and delegations outlined in this Charter. The Committee may determine the terms of such engagement/s to ensure that any advice received is independent.
49. Review and monitor the effectiveness of the key risk management and governance frameworks used by subsidiary companies' Risk & Compliance Committees, the Group Leadership Team Risk Committee through:
 - a. review of those committees' minutes;
 - b. the Chair of the Committee meeting with the Chairs of Risk & Compliance committees of material licensed subsidiary companies at least annually;
 - c. provision of a written report from the Risk & Compliance committees of material licensed subsidiary companies; and
 - d. the Chair of the Committee meeting with the Chair of the Audit Committee and People and Remuneration Committee at least annually in regard to the types of risk covered by each of these committees.
50. Provide prior endorsement to the CEO for:
 - a. the appointment or removal of the CRO or the Chief Actuary; and
 - b. any restructuring of the position to which the CRO or the Chief Actuary reports to, or to the scope of responsibilities of these positions.
51. Review the performance and set the objectives of the CRO, and ensure the CRO has unfettered access to the Board and the Committee.
52. Review and assess annually the completion of the Committee's responsibilities under the Charter and report such findings to the Board. Ensure any matters not appropriately dealt with are suitably actioned.
53. Immediately escalate any actual or suspected material risk that is outside the Group's risk appetite or any other material concern to the Chairman of the Board or to the Chair of the appropriate Committee.
54. The Committee shall review this Charter at least every three years and recommend any proposed amendments to the Board for approval. In the event that APRA's prudential standards change, the Charter will be reviewed to ensure continued compliance.
55. The Committee members will be available to meet with APRA and other regulators as required.

APPENDIX A

IAG AUTHORISED GENERAL INSURERS

The Committee is empowered as the risk committee of the following subsidiaries of IAG which are authorised general insurers regulated by APRA, apart from Insurance Manufacturers of Australia Pty Limited, which has a separate board risk committee:

- CGU Insurance Limited
- CGU-VACC Insurance Limited
- HBF Insurance Pty Limited
- IAG Re Australia Limited
- Insurance Australia Limited
- Mutual Community General Insurance Pty Limited
- Swann Insurance (Aust) Pty Limited
- WFI Insurance Limited