



**TERMS OF REFERENCE OF THE
RISK COMMITTEE
OF
PHOENIX GROUP HOLDINGS**

Adopted by the Board on 26 February 2010

PHOENIX GROUP HOLDINGS

(the "Company")

**TERMS OF REFERENCE OF THE RISK COMMITTEE
OF THE BOARD OF DIRECTORS**

(the "Committee")

1. CONSTITUTION

- 1.1 The Committee has been established by resolution of the board of directors of the Company (the "Board") and is to be known as the Risk Committee. Its terms of reference replace the terms of reference of any pre-existing risk committee.

2. ROLE

- 2.1 The role of the Risk Committee is to advise the Board on risk appetite and tolerance in setting the future strategy, taking account of the Board's overall degree of risk aversion, the current financial situation of the Company and – drawing on assessment by the Audit Committee – the Company's capacity to manage and control risks within the agreed strategy. It shall advise the Board on all high-level risk matters and should not extend into operational matters which are for the executive within the overall risk framework determined by the Board. The duties of the Committee are more fully described in paragraph 9.

3. MEMBERSHIP

- 3.1 The Committee shall comprise not less than three members, all of whom are appointed by the Board from amongst the non-executive directors of the Company. In addition, the Chairman of the Board may be a member of (but not chair) the Committee if he was considered independent on appointment as Chairman. A majority of members of the Committee should be independent non-executive directors. The Board will determine each member's independence based on whether the member is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the member's judgement. The Committee Chairman shall be appointed by the Board.
- 3.2 Appointments to the Committee shall be for a period of up to three years, which may be extended by two further three-year periods, provided that the majority of the Committee members remain independent.
- 3.3 The executive directors and other members of management of the Company shall not be members of the Committee.
- 3.4 No person shall be permitted to attend Committee meetings unless he or she is:
- (a) a member or secretary of the Committee;

- (b) the Group Company Secretary;
 - (c) invited by the Committee Chairman to attend the meeting in question (including but not limited to any expert person(s), representative(s) of the external auditors, the Chairman of the Audit Committee (if not a member of the Risk Committee), the Group Chief Executive Officer, the Group Finance Director and/or the Group Chief Risk Officer); or
 - (d) the Observer appointed by the Lender Shareholders under the terms of the Lenders' Relationship Agreement of 27 June 2009 between Liberty Acquisition Holdings (International) Company and the Lenders (as defined therein).
- 3.5 Appointments to the Committee shall be made by the Board on the recommendation of the Company's Nomination Committee.
- 3.6 Members of the Committee shall be named in the Annual Report and Accounts of the Company.
- 4. SECRETARY**
- 4.1 The Group Company Secretary or his or her nominee shall act as the secretary of the Committee.
- 5. MEETINGS**
- 5.1 The Committee shall meet at least three times a year at appropriate times or more frequently as circumstances require.
- 5.2 Any director of the Company shall have the right, by invitation in accordance with paragraph 3.4(c), to attend and speak but not to vote at any meeting of the Committee.
- 5.3 Unless provided otherwise in these terms of reference, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association (the "Articles") governing the proceedings of directors. In the absence of the Committee Chairman, the members attending shall elect one of them to be chairman for that meeting. The quorum for meetings of the Committee shall be two independent non-executive directors (not including the Chairman of the Board).
- 5.4 In accordance with the Articles, a majority of members attending each meeting, of which one shall be the Committee Chairman, must be physically situated outside the UK for the duration of the meeting.
- 6. NOTICE OF MEETINGS**
- 6.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members or at the request of the Company's external or internal auditors if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than two working days before the date of the meeting.
- 6.3 Subject to the terms of the relationship agreement dated 27 June 2009 between the

Company and the Lenders (as defined therein), no person other than permitted attendees and members of the Company Secretariat shall be entitled to receive any papers relating to the Committee unless expressly authorised in writing by the Committee Chairman.

- 6.4 Notwithstanding paragraph 6.3 above, the Board may request copies of the minutes of any meeting of this Committee (provided that no conflict of interest with the business of the meeting exists).

7. REPORTING RESPONSIBILITIES

- 7.1 The secretary shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute it accordingly. Draft minutes of Committee meetings shall be circulated to the Chairman within seven days of the meeting. Following review, draft minutes will be circulated to all members and actions arising to action owners promptly.
- 7.2 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report, which will contain a description of the principal risks related to the Company's business strategy.
- 7.4 The Committee Chairman shall attend the annual general meeting of the Company and shall be prepared to respond to any shareholder questions on the Committee's activities raised at that meeting.

8. AUTHORITY

- 8.1 The Committee is authorised by the Board to:
- (a) investigate and undertake any activity within its terms of reference;
 - (b) seek any information that it properly requires from any employee of any member of the Group in order to perform its duties (and all employees are directed by the Board to co-operate with any request made by the Committee); and
 - (c) call any employee to be questioned at a meeting of the Committee as and when required.
 - (d) meet the Group Chief Risk Officer at least once a year, without management being present to discuss his or her remit and any issues arising from their work. In addition the Group Chief Risk Officer should be given the right of direct access to the Chairman of the Committee. The Board must agree to the removal of an individual from the role of Group Chief Risk Officer.
- 8.2 If the Committee considers it necessary so to do (for example, to challenge its analysis and assessment of risk), it is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend meetings of the

Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits authorised by the Board.

9. DUTIES

9.1 The duties of the Committee shall be to:

- (a) recommend to the Board the Group's overall risk management strategy;
- (b) consider and recommend to the Board the Group's principal risk & capital management policies (covering the prudential risk areas of Market, Insurance, Credit, Liquidity, Operational and Group risk) Where certain policies remain a matter reserved for the Board, recommend these for onward approval by the Board;
- (c) consider and recommend to the Board for approval the Group's risk appetite and in particular:
 - (i) recommend to the Board on an annual basis the Group's Risk Appetite, including risk limits for credit risk and market risk for the following year; and
 - (ii) consider any breaches of the Group's risk appetite and each of the approved risk type limits and to approve the reduction plan and/or ratify the excess request.
- (d) monitor compliance and satisfy itself that action plans to address significant breaches of the Group's principal risk policies are sufficient;
- (e) review the Group's risk profile and monitoring against the FSA risk categories (Market, Insurance, Credit, Liquidity, Operational and Group); in particular with respect to the following:
 - (i) performance vs. the Group's risk appetite;
 - (ii) risk trends;
 - (iii) risk concentrations;
 - (iv) provisions' experience against budget; and
 - (v) Key Performance Indicators for risk.
- (f) approve the plan for the risk function, including the principal activities and resources;
- (g) receive updates on regulatory risk matters, including material FSA interactions, the FSA Risk Mitigation Plan (RMP) and any material FSA correspondence with the Group;
- (h) consider risks, issues and matters that are escalated from principal business unit risk committees to ensure adequate coverage of the Group's significant business risks and systems of internal control;

- (i) to approve the Terms of Reference of any subcommittees or working parties established by the Committee, including the Terms of Reference of the Group's subsidiary risk committees;
- (j) to receive and review the minutes of the Risk Committees from across the Group;
- (k) oversee and challenge the design and execution of the Group's stress and scenario testing, including any changes to assumptions;
- (l) oversee and challenge the design and execution of the Group's capital policy setting process, including any changes to methodology and or bases;
- (m) review the process for the calculation of the Individual Capital Assessments of the life companies, including any changes to methodology and or bases;
- (n) consult with the Phoenix Group Holdings Board Remuneration Committee regarding risk weightings which may be applied to performance objectives for incentive packages;
- (o) provide oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals, ensuring the potential consequences of any such transactions are appropriately considered;
- (p) review and approve the Group's insurance programme together with limits and coverage proposed as part of the Group's risk management strategy;
- (q) review annually the Board Audit Committee's assessment of the Group's internal control and assurance framework to satisfy itself on the design and completeness of the framework relative to the Group's activities and risk profile. This will inform the Board's review, conducted at least annually, of the effectiveness of the Group's system of internal controls and risk management;
- (r) review the Group's overall compliance with the Combined Code on Corporate Governance and the related corporate governance disclosures made by the Directors in the Company's Annual Report and Accounts;
- (s) consider the effect on the risks of the Group of the findings of material audits carried out by internal and external auditors;
- (t) consider any other matters as may be requested by the Board;
- (u) review other disclosures or documents as determined by the Board; and
- (v) delegate any of its powers to one or more of its members or the secretary of the Committee.

10. OTHER MATTERS

10.1 The Committee shall:

- (a) have regard to any relevant advice from the board audit committee or internal audit function concerning the effectiveness of its current control framework;
- (b) remain alert to the possible need for expert advice and support on any risk issue, taking action to ensure that they receive such advice and support as may

be necessary to meet their responsibilities effectively;

- (c) have access to the services of the Company Secretariat function on all Committee matters, including assisting the Committee Chairman in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support; and
- (d) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.