



# BOARD RISK COMMITTEE CHARTER

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## PURPOSE

1. The Insurance Australia Group Limited (**IAG**) Board Risk Committee (**Committee**) is appointed and authorised by the IAG Board (**Board**) to assist it by providing objective non-executive oversight of the implementation and operation of the risk management framework by IAG and its subsidiaries (**Group**), including overseeing that:
  - a. the Group's current and emerging material financial and non-financial risks are appropriately identified, assessed, and mitigated;
  - b. the Group's risk management and control systems are effective;
  - c. the Group is compliant with the Group Risk Management Strategy (**Group RMS**), Group Reinsurance Management Strategy (**Group REMS**) and other governance and risk related Group policies identified in the Group RMS;
  - d. the operation of compliance systems is effective having regard to the requirements of applicable laws, regulations, industry codes, listing authorities' rules and organisational policies, and frameworks;
  - e. the implementation and operation of the Group's risk management and governance frameworks is effective; and
  - f. the Group Chief Risk Officer (**GCRO**) and Chief Actuary, and the risk management and compliance functions meet applicable independence requirements.
2. The Committee also serves as the risk committee of Insurance Australia Limited and certain subsidiaries of IAG that the Board determines from time to time. References to 'Board' or 'Boards' in this Charter also apply to each of those subsidiary companies.

## RESPONSIBILITIES

To assist in meeting its objective, the Committee is responsible for:

### Risk Appetite

3. Reviewing and providing recommendations to the Board concerning the approval and soundness of the Group Risk Appetite Statement (**Group RAS**) and underlying risk metrics.
4. Regularly reviewing whether the Group is adhering to and operating within the risk appetite set by the Board, including providing recommendations in relation to changes to risk appetite and risk tolerance limits.
5. Assessing and advising the Board on the Group's overall current and future risk appetite and risk management strategy including its alignment to business strategy.
6. Establishing and overseeing the Group-wide view of the Group's current and future risk position relative to its risk appetite and capital strength.

### Risk Management

7. Overseeing the effectiveness of the risk management function in fulfilling its responsibility for the development and maintenance of the Group Risk Management Framework (**Group RMF**).

8. Reviewing and recommending to the Board for approval (as required) the Group RMS, Group REMS, and other policies and frameworks for managing risk.
9. Overseeing Management's implementation of the Group RMS, including constructive challenge of Management's proposals and decisions on all aspects of risk management arising from the Group's activities.
10. Reviewing and recommending to the Board for approval the annual Risk Management Declaration to APRA.
11. Receiving reports on the Group RMF (including the results of the independent triennial review) as set out in the Group RMS and Group REMS to assess its adequacy and effectiveness in identifying, assessing, managing and monitoring all material risks of the Group, including contemporary and emerging risks.
12. Reporting annually to the Board on the adequacy and effectiveness of the Group RMF and the Group's status in operating with due regard to the risk appetite set by the Board.
13. Reviewing, at least annually, the adequacy and effectiveness of the Group RMF (including to satisfy itself that it continues to be sound) and whether the Group is operating with due regard to the Group RAS and reporting to the Board on its review.
14. Assessing and reporting to the People and Remuneration Committee (**PARC**) any risk matter that warrants the PARC's or the Board's consideration in recommending or approving variable remuneration outcomes or adjustments.

### Overall Risk Governance and Risk Culture

15. Assisting the Board to form a view of IAG's risk culture and the extent to which it supports IAG's ability to operate consistently within risk appetite, identifying any desirable changes to the risk culture, and monitoring that IAG takes steps to address those changes.
16. Overseeing that risk culture is established, maintained and considered in the Group's broader culture initiatives.
17. Assisting the Board to oversee that the operational structure of the Group facilitates effective risk management.
18. Overseeing Management's monitoring and management of material risks consistent with the strategic objectives, risk appetite and policies and frameworks approved by the Board and the Committee.
19. Monitoring risk leadership by management including commitment to behavioural based risk initiatives and overseeing that sufficient resources are dedicated to risk management and compliance.

### Capital Management – Internal Capital Adequacy Assessment Process (ICAAP)

20. Reviewing an independent report on the adequacy and effectiveness of the ICAAP at least every three years.
21. Overseeing the outcomes of the Group's stress testing.
22. Reviewing the controls for the ICAAP and recommending to the Board for approval any significant changes to the ICAAP.
23. Reviewing and recommending to the Board for approval the ICAAP Annual Summary Statement, the ICAAP Annual Report and the Group Chief Executive Officer (**GCEO**) ICAAP Declaration.
24. Overseeing capital levels to align with the Group RAS.

## Compliance Management

25. Implementing appropriate monitoring systems and compliance reporting to support the compliance framework.
26. Overseeing the Group's compliance with standards, applicable laws, regulations, regulatory requirements, listing authorities' listing rules, and internal policies.
27. Overseeing the management and effectiveness of regulator relationships and the compliance processes in place to anticipate and effectively manage the impact of regulatory change on the Group's operations.
28. Overseeing the adequacy and appropriateness of the Group's financial and human resources devoted to the implementation, operation and maintenance of an effective compliance framework.
29. Overseeing the policies and procedures for employees to confidentially submit information about concerns relating to accounting, internal control, compliance, audit and any other matters.
30. Escalating compliance risk issues to the Board as relevant to provide assurance that material compliance risk issues are being considered on a timely basis and addressed in a consistent manner.

## Risk Reporting from Management

31. Receiving and reviewing risk management reports prepared by Management, which includes coverage of new and emerging sources of risk and the risk controls and mitigation measures implemented.
32. Receiving and considering reports from internal audit on its reviews of the adequacy of the entity's processes for managing risk.
33. Challenging Management's proposals and decisions on all aspects of risk management arising from the Group's activities.
34. Receiving and reviewing reports from Management on material breaches of the Code of Ethics & Conduct, material incidents reported under the Group Whistleblower Policy and material breaches reported under the Group Fraud Policy, the Group Anti-Bribery and Corruption Policy and any related policies.
35. Reviewing material incidents involving fraud or a breakdown of risk controls and the "lessons learned".

## Other Responsibilities

36. Reviewing the Group's Business Continuity Management Policy to assess whether it is appropriate to the nature and scale of the Groups operations and is consistent with the Group RMS and Group RMF and compliant with regulatory requirements.
37. Overseeing the sufficiency of the Group's information security capability, including sufficient investment (as appropriate) and the execution of strategy in relation to vulnerabilities and threats to enable the continued sound operation of the Group by regularly seeking assurance from and, as appropriate, challenging Management on the sufficiency of information security controls, testing and control environment.
38. Overseeing the scope, cover and cost of the Group corporate insurance program.
39. In consultation with the CEO:
  - a. recommending to the Board, the appointment or removal of the GCRO; and
  - b. approving any restructure to the reporting lines of the GCRO, or to the scope of responsibilities of this position.

40. Reviewing the performance and setting the objectives of the GCRO and providing the GCRO with unfettered access to the Board and Board Committees.
41. Overseeing the effectiveness of the GCRO, Chief Actuary and the risk management and compliance functions and the adequacy of their organisational structures.
42. Reviewing the effectiveness of the key risk management and governance frameworks implemented by any risk committees of IAG subsidiaries that are regulated by Australian Prudential Regulation Authority (**APRA**) or other regulators<sup>1</sup>, (each a **Regulated Subsidiary**) and the Group Leadership Team Risk Committee through:
  - a. oversight of the risk committees' minutes;
  - b. the Chair of the Committee, meeting with the Chairs of the Regulated Subsidiaries risk committees at least annually; and
  - c. provision of a written report from the risk committees of the Regulated Subsidiaries.
43. The Chair of the Committee will meet with the Chairs of the Audit Committee and the People and Remuneration Committee at least annually to consider the types of risk covered by each of these committees.
44. Reviewing and assessing annually the Committee's fulfilment of its responsibilities under this Charter and reporting such findings to the Board.
45. Reviewing this Charter at least every three years or as required and recommending amendments to the Board for approval.
46. Being available to meet with APRA and other regulators upon request.
47. If appropriate, considering any risk matter, notwithstanding that the particular matter may have been previously referred to, and considered by, another Board Committee.

## INFORMATION FLOWS

48. The Chair of the Committee (or a person nominated by the Chair of the Committee for that purpose) must report to the Board at the Board's next meeting on matters relevant to the Committee's duties and responsibilities, including making recommendations, as appropriate.
49. The Committee will immediately escalate any actual or suspected material risk that is outside the Group's risk appetite or any other material concern to the Chair of the Board or to the Chair of the appropriate Board Committee.
50. Minutes of Committee meetings will be circulated to all Directors.

## COMPOSITION

51. The Committee will comprise at least three members, all of whom must be independent Non-Executive Directors.
52. The Committee members are to have sufficient skill, experience, technical expertise and understanding of the Group's business and risk requirements required to fulfil the Committee's responsibilities under this Charter effectively.
53. The Board will appoint the members of the Committee and its Chair.
54. The Chair of the Committee must be an independent Non-Executive Director. The Chair of the Committee must not be the Chair of the Board.
55. Should the Chair of the Committee be absent from a meeting, the members present will appoint a

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<sup>1</sup> Regulators includes the Reserve Bank of New Zealand.

Chair for that particular meeting.

56. The Committee must include at least one member of the Board Audit Committee and at least one member of the People and Remuneration Committee.
57. The Committee may, at its discretion, delegate some or all of its duties and responsibilities to the Chair of the Committee or the Chair of the Board and may delegate any of its duties and responsibilities to a sub-committee of the Committee.
58. The composition of the Committee and its performance will be reviewed annually by the Committee and the Board to seek to ensure an appropriate balance of expertise, skills and experience.

## MEETINGS

59. The Committee will meet as least four times annually and as often as required to undertake its role effectively.
60. A quorum for meetings will be two Committee members, including the Chair.
61. Other Directors of the Board are entitled to attend Committee meetings and will have access to Committee papers and minutes.
62. 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.
63. The GCRO has a standing invitation to attend Committee meetings.
64. The Committee may invite Management, external advisors and subject-matter experts to attend its meetings.
65. The Chair of the Committee will be required to call a meeting of the Committee if requested by any Committee member, the CEO or the GCRO.
66. The Company Secretary or their designated representative will act as Secretary to the Committee.
67. The Committee will hold at least two meetings annually with any of the GCRO, the Chief Actuary, Executive General Manager (**EGM**), Group Internal Audit or EGM, Enterprise Risk & Operations or all together, without other Management being present.

## ACCESS AND ADVICE

68. The Committee will have free and unfettered access to Management, the External Peer Review Actuary, the External Auditor, risk and financial control personnel and any other persons (internal or external) required by the Committee to fulfil its responsibilities.
69. The Boards of subsidiaries of IAG covered by the Committee will have free and unfettered access to the Committee.
70. The Committee may engage and consult and/or seek independent advice from such consultants or experts as required by the Committee to carry out the responsibilities and delegations outlined in this Charter.

## DOCUMENT CHANGE HISTORY

Version Number	Conducted by	Approved by	Date	Description of changes
1	Group Risk & CSO	Board	25 November 2021	Biennial Review – amendments to comply with regulatory and governance requirements.
2	CSO	Board	1 July 2023	Changes associated with the implementation of APRA Prudential Standard CPS 511 Remuneration.