



**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(“Bupa Arabia”, “the Company”)**  
**APPENDIX F : RISK MANAGEMENT COMMITTEE (RMC)**  
**CHARTER**

**1. Constitution, Principal Role and Term**

**Constitution** – This Charter was first approved by the Board of Directors on 12<sup>th</sup> October 2016, and the public shareholders first approved it on 20<sup>th</sup> December 2016. This latest version, enhancing alignment with the latest regulatory corporate governance regulations, was approved by the Board during 2019, subject to regulatory approval where applicable, and subject to the public shareholders’ approval, where applicable, on 12 November 2019.

**Principal Role** – The principal role of the Risk Management Committee (“RMC” or “the Committee”) is to assist the Board in its risk management, cyber security, business continuity management, and corporate governance strategies and the oversight of risk, cyber security, business continuity management, and corporate governance across Bupa Arabia. This includes overseeing the current risk, cyber security, business continuity management, and governance exposures and the risk strategy, cyber security strategy, business continuity management strategy, and the corporate governance strategy, and including the development of the overall risk appetite and tolerance, the monitoring of the effectiveness of the corporate governance and risk management frameworks including governance and risk policies, process and controls, and the promotion of a governance, risk, cyber security and business continuity management aware culture throughout Bupa Arabia.

The Committee is committed also to excellence in corporate governance, cyber security, and risk management and shall make a difference to Bupa Arabia’s business by:

- Being sighted on governance, cyber security, business continuity management, and risk and engaging corporate governance, cyber security, business continuity management and risk management to deliver sustainable performance;
- Owning the whole of the oversight of Bupa Arabia’s corporate governance, cyber security, business continuity management and risk profile and acting on governance, cyber security, business continuity management and risk themes holistically;
- Recognizing emerging risks and proposing risk appetite changes to the Board, as needed; and
- Defining and owning Bupa Arabia’s corporate governance, cyber security, business continuity management and risk culture and the mechanisms for implementing the same.

**Term** – the term of this Committee shall run concurrent with the Board term, and such term shall be governed by the Company’s Articles, which cannot exceed the three years maximum specified within the Company Law, as shall be approved by the Board, Regulators and thereafter the public shareholders.

Each member shall hold office as a Committee member for a period of up to three years, which may be extended for further periods of up to three years, after the Board is re-constituted for each term, provided

the Chairman remains non-executive, and subject to the approval of the Board, and the regulator(s), as required and applicable.

## **2. Membership, Chairman and Secretary**

**Composition and Chairman** – The Committee is to comprise of no less than three (3) and no more than five (5) members, as per the Nomination and Remuneration Committee (NRC) recommendation approval, after Board and regulatory approval where applicable, in accordance with the relevant Saudi regulations.

The Board, after its appointment by the General Assembly, shall, after accounting for the NRC recommendation, approve the appointment of the Committee members, including the selection of the Chairman from amongst the members, for the new three (3) year term, subject to thereafter obtaining the regulatory required approvals.

The Chairman of the Committee shall be a non-executive director. The Chairman of the Board shall not be a member of the Committee.

In the absence of the Chairman of the Committee, the members present at any meeting of the Committee shall elect one of their number to Chair the meeting.

Members of the Committee shall always be fully informed of the course of business and act in good faith; with due diligence; in compliance with the applicable laws and regulations; and in the best interest of the Company's shareholders, policyholders, and other Stakeholders.

Members of the Committee shall perform their duties free from any external influence, whether from within or outside the Company. Committee members shall not allow their own personal interest, or the interest of the parties they represent, to come before, or in conflict with, that of the Company, its shareholders, or any other Stakeholders.

The Board, after obtaining the regulators' written non-objection, may dismiss a Committee member if she or he ceases to satisfy the membership terms or violates the provisions of the respective rules and regulations.

A Committee member has the right to resign, after providing the resignation request to the Board with at least one month notice before the resignation becomes effective.

The Company shall notify the regulators in writing of the resignation of a Committee Member, and the reasons thereof, and provide the regulators with a copy of the resignation in due course, as required.

In the case of a Committee vacancy during the term, the Board, after N&RC recommendation, and after obtaining the regulators' written non-objection where applicable, shall appoint another Committee member, preferably within a month of the vacancy date, to fill the vacant Committee position, and the new member shall complete his or her predecessor's term.

**Knowledge** – Each member shall have appropriate corporate governance, financial and risk management knowledge. All members are required to keep up-to-date on regulatory, corporate governance, risk and

compliance issues and, where appropriate, shall receive induction and ongoing professional development to ensure this.

**Confidentiality** – Board/Committee members must sign a Confidentiality Agreement with the Company and at all times maintain the strictest confidentiality of all the matters discussed through, or associated with, the Board/Committee’s activities, whether the Board/Committee member has ceased to be an active or current Board/Committee member or not.

**Disclosure of Interests** – Each member of the Committee shall disclose to the Committee:

- a) Any personal financial interest in any matter including, but without limitation to, business and family interests, to be decided by the Committee; and
- b) Any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions unless such conflict has previously been disclosed to, and authorized by the Board.

**Membership Review** – The Board shall review the membership of the Committee from time to time and approve any changes to the Committee membership, based on the recommendation approval of the Nomination & Remuneration Committee (NRC).

**Secretary** – The Secretary of the Committee shall be appointed by the Board on the recommendation of the NRC. The Secretary shall handle the Committee’s administrative tasks, schedule the Committee’s meetings in coordination with its Chairman, prepare the meeting minutes and ensure that all Committee members who attended, and the Committee Secretary, sign the minutes.

**Committee Members Compensation** – All Board, and Board Committee, members are entitled to annual compensation if the eligibility requirements have been fulfilled by the member. The compensation shall be as per the Board and Board Committees’ Member Remuneration Policies, as approved by the General Assembly, within the parameters allowed by the law and regulations.

### **3. Meetings**

**Frequency** – Meetings shall not be held less than three (3) times a year and should preferably correspond with the Company’s financial reporting cycle. The Secretary shall convene a meeting on receipt of a request by one (1) of the Committee members, the Board or by a related external party.

**Quorum** – The quorum of any meeting shall be valid if it comprises a minimum of either a) the majority of its members, where the Committee membership size is an odd number, or b) half the members, where the membership size is an even number, throughout the meeting. A member may participate by face-to-face meetings between the members, and/or by teleconference or videoconference, and be counted in the quorum and considered to have attended the meeting.

**Attendance** – Only Committee members, and the Committee Secretary, are entitled to attend the Committee meetings but the Committee shall have the discretion to invite any other person(s) to attend all or part of any Committee meeting, which it considers appropriate.

In the absence of the Chairman, the attending Committee members shall choose a temporary Chairman, for the Committee meeting, from amongst the attending Committee members.

For the business continuity management sessions the Committee will ensure that the members of the management in attendance are those as specified by the SAMA Business Continuity Management Framework V 1.0.

**Voting** – The Committee’s decisions are issued by the majority of the members and in case of equal votes; the vote of the Committee’s Chairman shall give preponderance, provided that the Committee meeting minutes note the view of the other member(s).

All members shall have the same proportionate control and influence over the decisions of the Committee.

#### **4. Proceedings**

**Notice** – Notice of each meeting confirming the date, time and venue shall be circulated by the Secretary, or his/her designated representative, to all members of the Committee and to other attendees (if appropriate) as far in advance as possible (within five (5) days).

**Agenda** – The Committee Secretary, or his/her designated representative, shall circulate the agenda and supporting documentation to the members a reasonable period in advance of each meeting, within five (5) days.

**Supporting Papers** – The Committee Secretary shall give advance notices, send meeting agendas with any relevant materials to the members and ensure their delivery, a reasonable period in advance of each meeting, preferably within five (5) days prior to the meeting.

**Duration** – Sufficient time should be allowed to enable the Committee to undertake as full a discussion as may be required.

**Minutes** – Minutes of the meetings shall be recorded, signed by all the Committee members who attended, and the Committee Secretary, and entered into an official register.

Minutes of the Committee meetings shall indicate the meeting’s attendance, topics discussed, major deliberations, voting process, objections and abstentions from voting (with reasons if any), decisions taken, and reservations. All records and documents reviewed during the meeting and/or referred to in the minutes shall be attached / referred to in the minutes.

Minutes of the meetings shall be distributed to the parties concerned within a reasonable period, preferably within two (2) weeks. The person or entity responsible for implementing the resolutions taken shall be determined.

The Committee Secretary shall ensure to provide the Board a copy of the authorized meeting minutes to carefully review them, along with related recommendations.

#### **5. Authorities**

**Resources and Support:** The Committee shall be provided with sufficient resources to undertake its duties. The Committee shall have access to the services of the Committee Secretary and the Chief Risk Officer on

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all the Committee matters, including (but not limited to) assisting the Chairman in planning the Committee's work, drawing up meeting agendas, preparation and maintenance of the minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.

**Investigation:** The Committee is authorized by the Board to investigate any activity within its Charter and to intervene if the Committee considers it appropriate and if the Board instructs it to do so.

**Information:** The Committee is authorized to have unrestricted access to all of the books and records of the Company and to seek any information it requires from any employee. All employees are directed to cooperate with any request made by the Committee Chairman or the Committee Secretary acting on instructions from the Committee. The Committee shall advise the Chief Executive Officer and the Chief Risk Officer if it has exercised this authority to seek information (other than routine information) from any employee, setting out the information required and the circumstances underlying the request.

**Advice:** The Committee is authorized by the Board to obtain external legal, accounting or other independent professional advice on any matter within its Charter and to secure the attendance of such advisers with relevant experience and expertise, at the Company's expense, if it considers this necessary. The Committee shall consult with the Chairman of the Board before any fees are agreed.

**Reports:** The Committee is authorized to commission any reports or surveys that it considers necessary to help it fulfill its duties and responsibilities.

**Delegation:** The Committee may delegate any actions in support of its function to a competent person, providing the terms of the delegation are documented in the Committee's records, but it may not delegate accountability for its function. The Committee may not delegate those powers relating to the oversight of the Risk Division's functions.

## **6. Roles, Duties and Responsibilities**

The Committee shall carry out the duties below:

### **General Corporate Governance and Risk Management:**

- a) **Corporate Governance Framework:** Review Bupa Arabia's Corporate Governance Framework annually, considering its design and effectiveness in accordance with a) worldwide best practice and b) its adherence to the relevant Saudi regulations, and to recommend any changes deemed appropriate for approval by the Board.
- b) **Effective Governance:** Ensure the oversight of any matters relating to the implementation of effective Governance through supporting the Board in:
  - a. The implementation of governance rules for the Company in accordance with Saudi Arabia regulations,
  - b. Annually verifying that the Company is in compliance with the corporate governance regulations of Saudi Arabia,
  - c. Periodically reviewing and updating the Company rules pursuant to all statutory requirements and best practices,

- d. Periodically reviewing and developing codes of professional conduct representing the Company's values and other internal policies and procedures in order to fulfil the Company's requirements in accordance with best practices.
  - e. Regularly informing the Board of developments in corporate governance and best practices, and provide the Board with recommendations for improvement in the governance, and/or governance rules, of the Company.
  - f. Ensure the Committee regular review of the strategy, policies and processes for the risk management of the Market Risk, and the risk management of the Counterparty default risk, and that the Board is thereafter informed of the Committee's activities on the same.
- c) **Risk Appetite Framework:** Review Bupa Arabia's risk appetite annually, considering the current and prospective macroeconomic, financial, clinical and regulatory environment. Consider Bupa Arabia's capability to identify and manage new types of risks. Recommend any changes deemed appropriate to the Company's risk appetite for approval by the Board.
  - d) **Risk Management Framework:** Review and update on a regular basis the design and effectiveness of the Risk Management Framework, relative to Bupa Arabia's activities and which shall specifically include: Non-Life Underwriting Risk, including Reinsurance Risk, Counterparty Risk, Market Risk, and including any sub-risks, which including, but not limited to, interest rate risk, equity risk, property risk, currency risk, spread risk and liquidity risk.
  - e) **Remit and Performance of the Risk Division Functions:** Safeguard the independence of and assess the adequacy, remit and performance of the Risk Division functions, including the Chief Risk Officer.
  - f) **Risk Information:** Assess the effectiveness and quality of the risk reporting provided and the management of risks and emerging risks including, but not limited to financial, regulatory, clinical and operational.
  - g) **Cyber Security Oversight:** Oversee the management of the Company's Cyber Security, including the monitoring of the Cyber Security Committee's activities. The Cyber Security Committee's principal role is to assist the Board and the RMC in fulfilling their oversight responsibilities in relation to all matters related to Cyber Security including, where required and applicable, regulatory and other compliance.
  - h) **Incident Oversight:** Oversee, at its discretion, the management of material incidents, breaches in limits or breakdown in operational controls including IT infrastructure. Assess the adequacy of remedial actions.
  - i) **Policies:** Oversee the development, maintenance and implementation of appropriate policies and approve or recommend for approval such policies to the Board (including Enterprise Policy Management Framework), in line with the Matters Reserved for the Board.
  - j) **Risk Identification and Mitigation:** Satisfy itself that risks to Bupa Arabia's business plan and any capital implications are adequately identified and assessed by management through appropriate stress testing and that mitigating actions are implemented.
  - k) **Regulation and Compliance:** Review relationships with regulatory authorities in relevant jurisdictions and developments in the regulatory environment.
  - l) **Risk Capital:** Review the methodology and assumptions for determining economic and regulatory capital requirements, ensuring that the assumptions and calibrations used reflect Bupa Arabia's forward-looking risk profile. Review the annual stress and scenario testing program.
  - m) **Actuarial Function Report:** At least annually review and approve the Actuarial Function report.

- n) **Strategic Transaction Risk:** Advise the Board, as required, on proposed strategic transactions including acquisitions or disposals, focusing on implications for risk appetite and tolerance, taking independent, external advice where appropriate.
- o) Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve months.
- p) Verifying the independence of the risk management employees from activities that may expose the Company to risk.
- q) Ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk.
- r) **Other Matters Referred by the Board:** Consider any other matters relevant to the Company's Corporate Governance and/or Risk Management and/or Cyber Security that are referred to it by the Board.
- s) **Access for/to the Chief Risk Officer:** Ensure that the Chief Risk Officer has direct access to the Chairman and other members of the RMC and that the Chairman and members of the Committee have direct access to the Chief Risk Officer.
- t) **Liaison with Other Committees:** Work and liaise as necessary with all other Board Committees.
- u) **Meeting with the Board of Directors:** The RMC will meet with the Board and Senior Management at least once per annum to inform the Board of the decisions relating to the establishment and on-going monitoring of the risk appetite statements and the risk exposures as well as highlighting any material changes in the current risk appetite / risk exposure levels, and/or any regulatory expectations regarding risk appetite / risk exposure.

#### **Risk Division**

- a) Approve the appointment and removal of the Chief Risk Officer;
- b) Review the activities, resources and organizational structure of the Risk Division and ensure that no unjustified restrictions or limitations are made;
- c) Approve the appointment, promotion or dismissal of the Risk Division Leadership through recommending to the Board, after obtaining Company Regulators' written non-objection, as applicable; and, if necessary, discuss with an External Advisor the standard of work of the Risk Division;
- d) Determine the monthly salary, bonus and other remuneration of the Risk Division in accordance with the Company's internal policies as approved by the Board;
- e) Review the effectiveness of the Risk Division and ensure that it has appropriate standing within the Company;
- f) Review the effectiveness of the Risk Division Leadership positions and ensure that it has appropriate level of seniority;
- g) Meet separately with the Chief Risk Officer to discuss any matters that the Committee or the Risk Division Leadership believe should be discussed;
- h) Ensure that risks beyond Bupa Arabia approved risk appetite reported by the Risk Division and management's proposed response/mitigation strategies are received, discussed and appropriately acted on; and
- i) Review the proposed Risk Division strategy and plan for the coming year and ensure that it addresses key areas of risk, including the policies and processes for the management of Non-Life Underwriting Risk, including Reinsurance Risk, Counterparty Risk, Market Risk, and that there is appropriate co-ordination with the Internal Audit and Compliance functions.

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- j) Ensure that management establishes an enterprise risk profile for the company, that the RMC evaluates and updates this enterprise risk profile on a regular basis, that it covers monitoring and reporting on Non-Life Underwriting Risk, including Reinsurance Risk, Counterparty Risk, Market Risk, and that it is shared with the Board on a regular basis.
- k) Ensure that a formal communication process exists through which the Board and Senior Management, are provided with sufficient information to assess the nature and level of, the Company's operational risk, through the sharing of operational risk reports to the RMC, and thereafter the Board on a regular basis.
- l) Ensure that the annual operating plans submitted to the Board are in line with the Board approved risk appetite statements.

**7. Reporting and Evaluating Performance Responsibilities**

**The Board** – The Chairman of the Committee (or a Committee member, or the Committee Secretary, if nominated by the Chairman) shall report to the Board on the proceedings of each Committee meeting. The Committee shall provide the Board with formal reports and recommendations on a routine periodic basis, and at least annually.

**Recommendations** – The Committee shall make whatever recommendations to the Board it considers appropriate on any area within its remit where action or improvement is necessary.

**Committee Report** – The Committee shall assist the Board by preparing a statement for inclusion in the Company's annual report describing the role and responsibilities of the Committee and actions taken by the Committee during the relevant period to discharge those responsibilities.

**General Assembly (GA) Meetings** – The Chairman of the Committee, or Committee member delegated by the Chairman if applicable, must attend the Company's GA Meeting(s) so as to be available to respond to any questions of the Shareholders on the Committee's activities and areas of responsibility.

**Evaluation of Performance** – The Committee shall assess the achievement of the duties specified in the Charter and report the findings to the Board. The Committee shall support the NRC, and/or the Board, in the evaluation of the Committee's, and/or the Committee's members' performance, as and when required.

**8. Review of the Committee Charter**

The Committee shall develop, implement and review its own Charter annually and shall thereafter recommend its revised Charter for the Board's approval.

Thereafter, the Committee shall ensure that the revised Charter is approved by the Board, and if necessary by Bupa Arabia's regulator(s) and/or public shareholders, as deemed applicable.

The Committee shall make available this Charter (explaining the role and the authority delegated to it by the Board) on request and by including the information on the Company's website;



## **9. Other Matters**

The Committee shall:

**Audit Committee (AC)** – Support the AC in evaluating the overall effectiveness of the internal control, risk management framework/processes, corporate governance framework/processes, monitoring compliance with laws and regulations particularly with regard to corporate governance and risks that impact on the Company’s financial reporting and its code of business conduct. To also support the AC review of the results of management’s investigations and follow-up (including disciplinary action) of any fraudulent acts of non-compliance.

**Other Projects** – Undertake any other projects, as requested by the Board.

## **10. Corporate Governance Standards**

The Company Corporate Governance Standards are defined in the Company Code of Corporate Governance (CCG).

## **11. Definitions**

The standard Company definitions, and acronyms, applicable throughout the Corporate Governance Framework (CGF), Code of Corporate Governance (CCG), and the Board and Board Committees’ Charters, are defined within the “Definitions and Acronyms” section of the Company CCG.