



To: Financial Services Board (FSB)
From: JSE Post-Trade Services
Date: 04 September 2012
Subject: **SAFCOM Risk Committee Terms of Reference**

Risk Management Committee ("Committee") Terms of Reference

1. Objective of Committee

- 1.1 The Risk Management Committee ("the Committee") is a formal sub-Committee of the Board of SAFCOM ("the Board").
- 1.2 The total process of risk management in SAFCOM, which includes the related system of internal control, is the responsibility of the Board.
- 1.3 The Committee is constituted to assist the Board in the discharge of its duties and responsibilities in this regard.
- 1.4 The duties and responsibilities of the members of the Committee are in addition to those as a member of the Board of Directors.

2. Composition

- 2.1 The Committee shall consist of a minimum of three (3) members who are appointed by the Board from non-executive Directors, together with the responsible officer.
- 2.2 The Chairperson of the Committee shall be appointed by the Board from the members serving on the Committee and shall be a non-executive director. In the absence of the Chairperson the members present may nominate and elect one of them to Chair the meeting.
- 2.3 A quorum of the Committee shall be at least two (2) members.
- 2.4 SAFCOM Company Secretary shall provide the relevant governance administration to the Committee.

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- 2.5 The Internal Auditors, as well as representatives of External Auditors, may be invited to attend the meetings to assist the Committee to make effective decisions.
- 2.6 Committee members must have knowledge and experience of the management of market risk in the securities markets.

3. Authority of the Committee

- 3.1 The Committee is authorised by the Board to obtain inside or outside professional advice and to secure the attendance of insiders or outsiders with relevant experience and expertise, if it considers this necessary.
- 3.2 In obtaining outside professional service, the Committee shall comply with the policies of SAFCOM.
- 3.3 The Committee is authorised by the Board to appoint sub-Committees.

The functions and responsibilities of the above-mentioned Committees shall be an expansion of and aligned and integrated with that of the Committee, and such functions and responsibilities shall be indicated in their respective charters.

4. Reporting lines

- 4.1 The Committee reports directly to the Board.

5. Terms of Reference

- 5.1 To assist the Board in the execution of its responsibility for the governance of risk, the Committee shall be charged with the following general responsibilities:
 - 5.1.1 to assist the Board in setting risk strategy policies, including annually agreeing risk tolerance and appetite levels, in liason with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and integrated reporting;
 - 5.1.2 to ensure that an appropriate policy and plan for a system of risk management is developed by management, approved by the Board and distributed throughout SAFCOM;
 - 5.1.3 to annually review, assess the quality, integrity and effectiveness of the risk management plan and systems and ensure that the risk policies and strategies are effectively managed by management and that risks taken are within the agreed tolerance and appetite levels;
 - 5.1.4 to review and assess the nature, role, responsibility and authority of the risk management function within SAFCOM and outline the scope of risk management work;
 - 5.1.5 to ensure that SAFCOM has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then

to activate what is necessary to pro-actively manage these risks, and to decide SAFCOM's appetite or tolerance for risk. A framework and process to anticipate unpredictable risks should also be implemented;

- 5.1.6 to ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually. This assessment should as a minimum cover risks affecting the income streams of SAFCOM, IT risks, the critical dependencies of the business., the sustainability and the legitimate interest and expectations of shareholders; A framework and process to anticipate unpredictable ;
- 5.1.7 to oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that SAFCOM's objectives are attained;
- 5.1.8 to review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;
- 5.1.9 to monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts; and
- 5.1.10 to provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by management and the Audit Committee to the Board on all categories of identified risks facing SAFCOM.
- 5.1.11 on the risk management and measurement methodologies for the products cleared by SAFCOM;
- 5.1.12 on the stress-testing of the positions underwritten by clearing members;
- 5.1.13 on the valuation of collateral for margining purposes;
- 5.1.14 on market risk matters arising from the business operations of SAFCOM;
- 5.1.15 on proposed amendments to the relevant legislation, rules and directives governing risk management; and
- 5.1.16 on the roles and responsibilities involved in the risk mitigation process.

- 5.2 The Committee shall in particular be charged with the following responsibilities:
- 5.2.1 to review the risk philosophy, strategy, policies and risk tolerance and appetite recommended by management. The Committee will ensure compliance with such policies in accordance with the overall risk profile of SAFCOM. Risk in the widest sense, i.e. enterprise-wide risk, will be considered by the Committee;
 - 5.2.2 to review management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management, reports on internal control and any recommendations and confirm that appropriate action has been taken;
 - 5.2.3 to review key risk areas and key performance indicators of SAFCOM, and monitor these factors as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control;
 - 5.2.4 to review the risk bearing capacity of SAFCOM in light of its reserves, insurance coverage, guarantee funds or other such financial structures;
 - 5.2.5 to assist the Board in its responsibility for disclosure in relation to risk management in the annual report, and acknowledgement that it is accountable for the risk management function;

6. **Validity and termination**

- 6.1 The authority and terms of reference of the Risk Management Committee may be terminated or amended by the Board.

7. **Meetings**

- 7.1 Meetings shall be held at least three times per year. Additional meetings may be convened at the request of any one of the members of the Committee.
- 7.2 The schedule of meetings of the Committee shall be aligned with the schedule of meetings of the Board in such a way that the meetings of the Committee shall be scheduled before the meetings of the Board, for effective reporting.

8. **Reporting Procedures**

- 8.1 The Chairperson of the Risk Management Committee shall report from time to time to the Board on the deliberations of the Committee.

Adopted by the Board on _____