



ENTERPRISE RISK
MANAGEMENT SYMPOSIUM

ERM Frameworks

Risk Management at a Large Global Financial Services Company

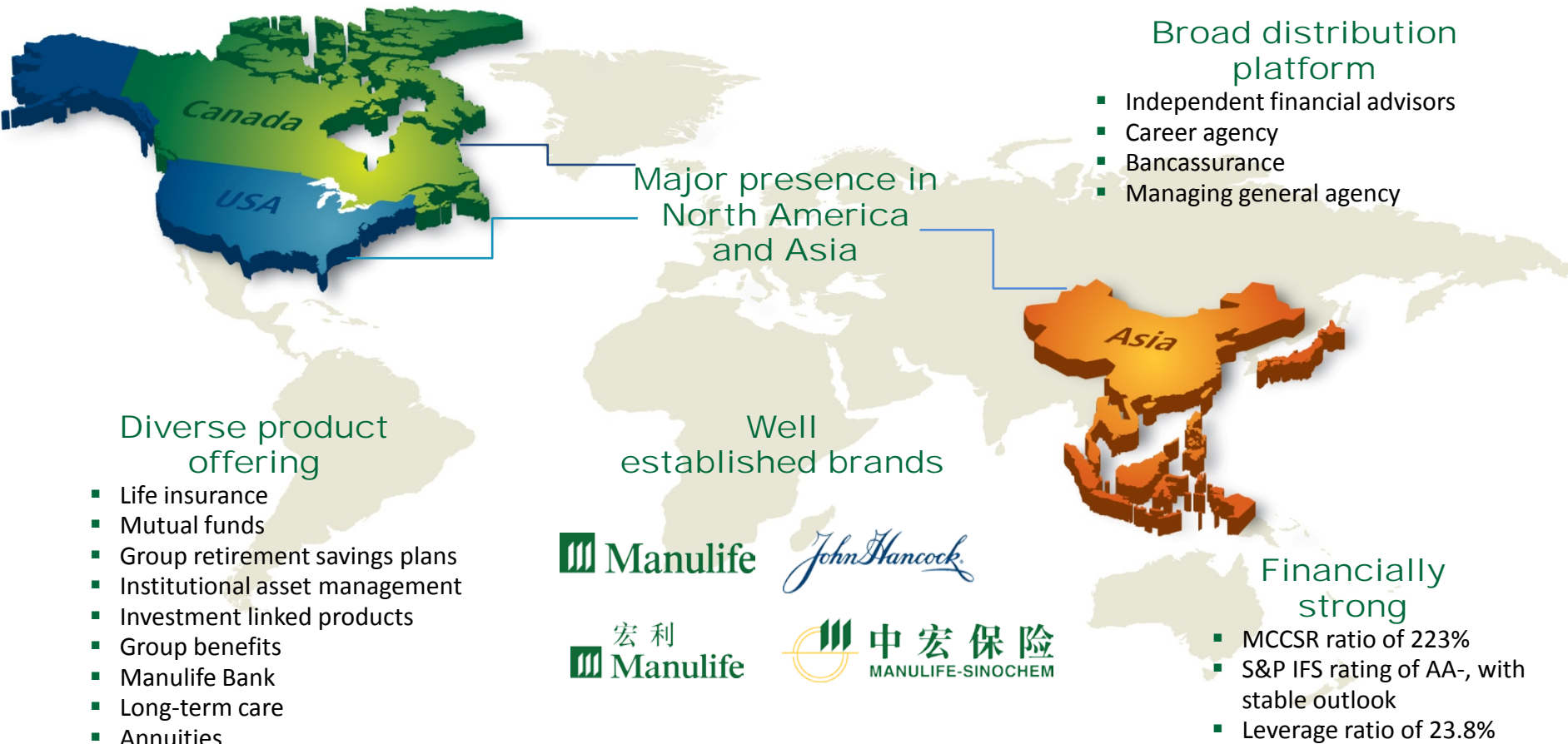
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SVP Financial Risk Management at Manulife/John Hancock

Our Agenda Today

- Manulife/JH overview
- The ERM framework in a complex global company
- Rules of a successful ERM framework
- ERM framework at Manulife/JH

Manulife/JH is a leading global financial services company



Does Size and Complexity Matter for an ERM Framework?

- No such thing as “one size fits all”
- Geographic spread adds significant complexity – are we speaking the same language?
- Diverse portfolio of businesses provides diversification benefits but also introduces unique risks
- Diversity in risk culture

What Does This Mean at Manulife/JH

- Global Risk organization
- Depth and breadth:
 - Sizable capacity for sizable risks
 - Advanced capabilities for advanced risks
- Strong alignment between Risk and other Functions (Finance/Capital, HR, IT, Compliance, etc)

Rules for a Successful ERM Framework

- Alignment with the core strategies of the Company – Risk as a value-add function
- Clear articulation of risk appetite
- Risk awareness is promoted through the framework
- Robust governance, starting from the top – appropriate communication lines

Rules for a Successful ERM Framework – cont'd

- Risk structure built on the principles of 3 lines of defence
- Proper alignment between compensation and risk appetite
- A versatile framework that works well in a changing environment by promoting innovation
- Identifies and manages current *and* emerging risks

ERM at Manulife/JH: Our Philosophy

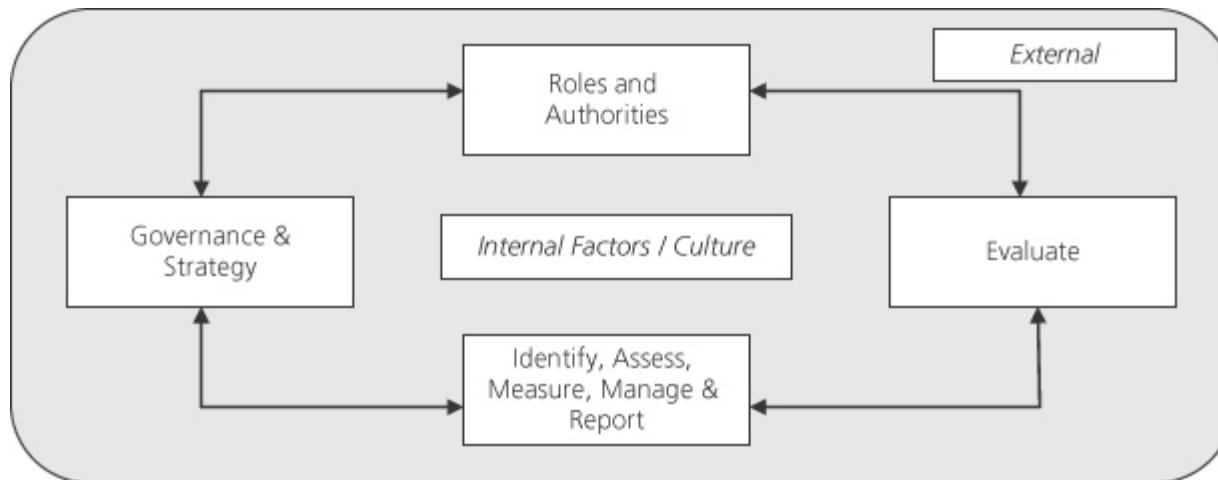
Risk objective:

“... to balance the Company’s level of risk with its business, growth and profitability goals, in order to provide integrated customer solutions while achieving consistent and sustainable performance over the long term that benefits the shareholders.”

ERM at Manulife/JH: Our Framework

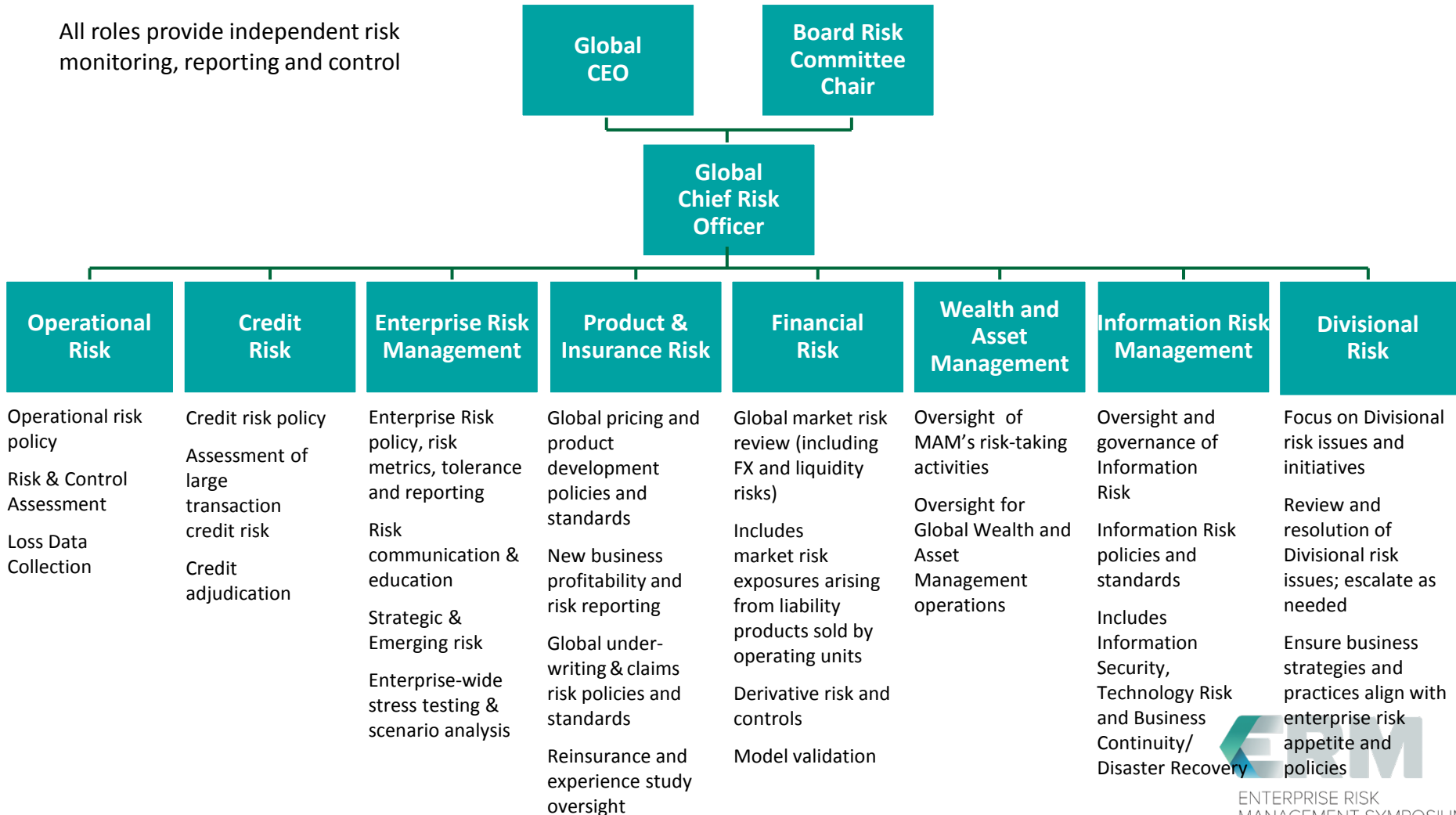
Our ERM Framework provides a structured approach to implementing risk management activities at an enterprise level supporting our long-term strategy.

It is communicated and executed through global risk policies and standards designed to enable consistent execution of strategies and risk mitigation across the organization.

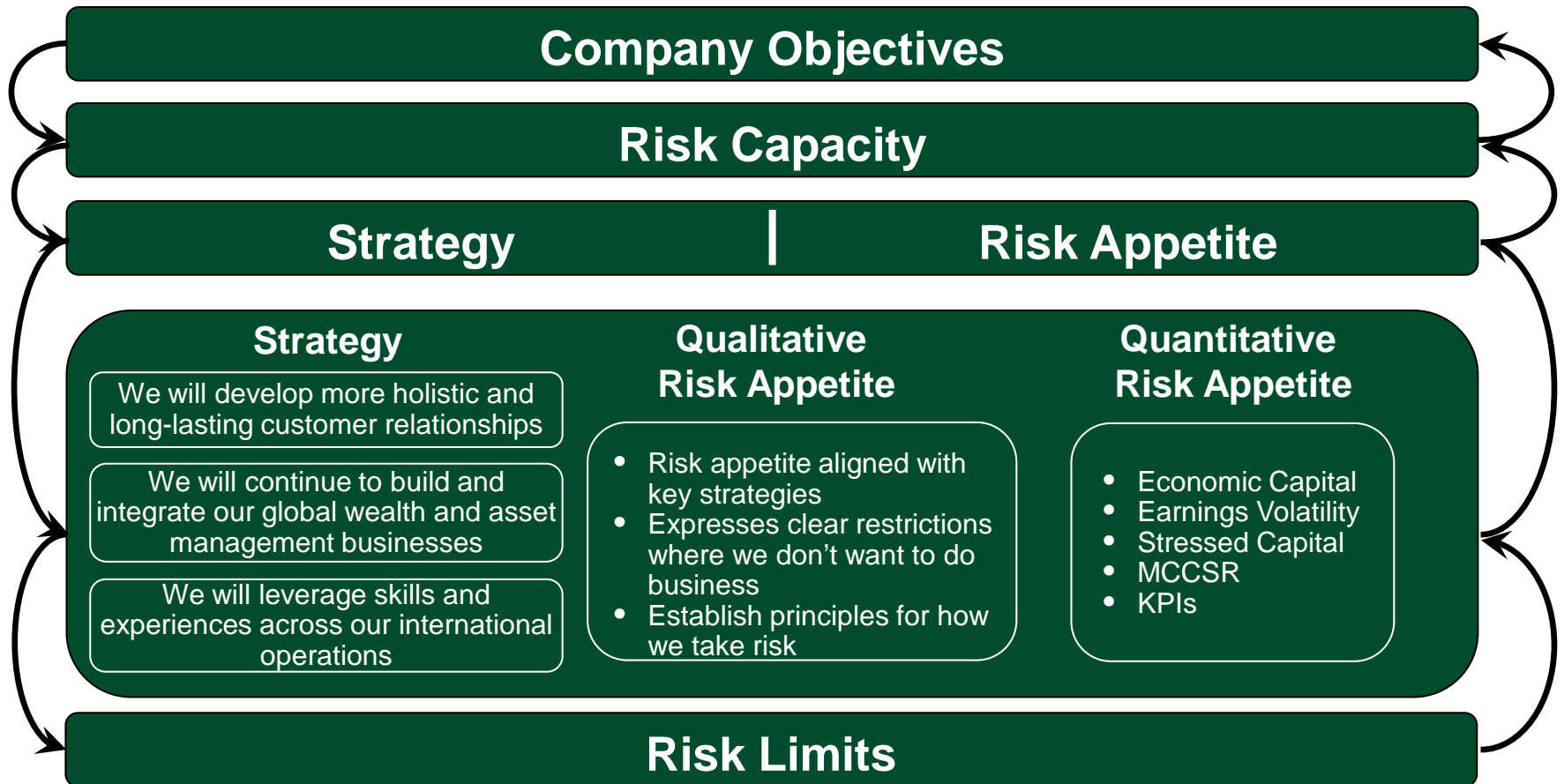


ERM at Manulife/JH: Risk Organization

All roles provide independent risk monitoring, reporting and control



ERM at Manulife/JH: Risk Appetite



ERM at Manulife/JH: Cascading Risk Appetite

Risk Appetite

Aggregate Risk Targets

- Economic Capital
- Earnings at Risk
- Regulatory Capital

Total Company Limits

Principal Risk Categories

- Public Equity
- Interest Rate
- Credit
- Insurance Risks
- FX
- Operational

Divisional Limits

- Cascaded from total Company limits, where it makes sense
- Do not have to be directly derived from total Company limits

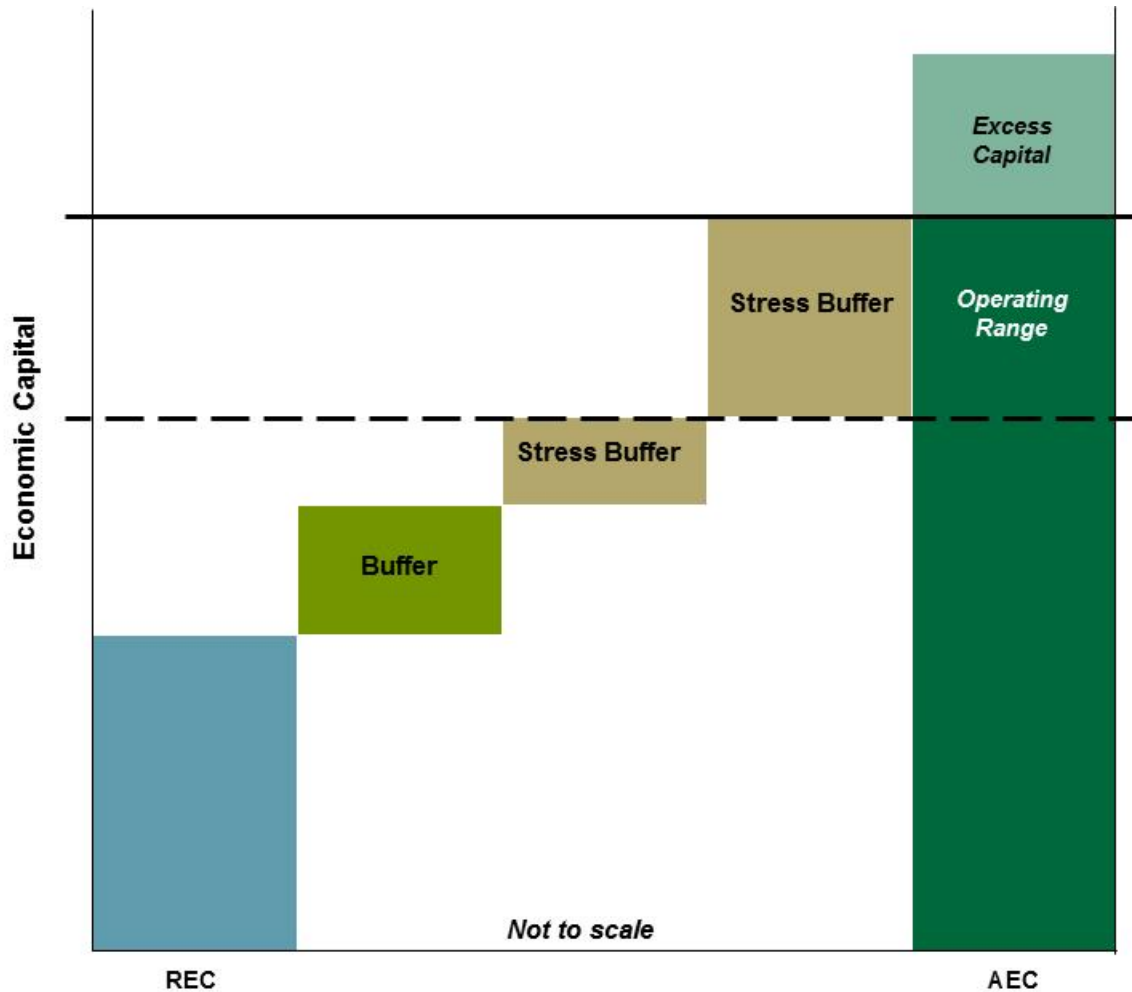
Oversight
by:

Board of Directors

Board Risk
Committee

Executive Risk Committee /
Divisional Risk Committees

ERM at Manulife/JH: Economic Capital



- Focused on shareholders but very high priority remains on protecting customers
- Buffer added to required economic capital for measurement uncertainty and minimum financial strength
- Stress tests establish operating range and ensure that following moderate stress we maintain financial strength above investment grade
- Operating range establishes our risk appetite

ERM at Manulife/JH: ORSA and Capital Adequacy

ORSA Components

Strategy & Business Plans

Risk Appetite

Risk Management Framework

Capital Adequacy Assessment

Validation

- Strategic Planning Process
- Alignment with Risk Appetite

- Risk Appetite development
- Risk Appetite limits

- ERM Framework
- Mature practices for credit, market, insurance
- Developing practices for operational

- Quantification: EC Framework
- Internal Capital Targets
- Stress/Scenario Testing
- Comparison with Regulatory Capital

- Internal (management) validation
- Internal Audit
- External validation



Final Thoughts and Q&A