

# FAMILY ASSURANCE FRIENDLY SOCIETY LIMITED

## THE RISK SUB-COMMITTEE

### TERMS OF REFERENCE

(as adopted by the Society's Board of Directors on 15/11/2018)

#### **1 Membership**

- 1.1 Membership of the Risk Sub-Committee (“the **Committee**”) will be appointed by the Board of Directors of the Society (“the **Board**”) on the recommendation of the Nominations Sub-Committee in consultation with the Committee Chairman. The Committee will be made up of at least 3 members.
- 1.2 All the members of the Committee will be independent non-executive directors of the Society. The Chief Risk Officer will be invited to attend all meetings of the Committee.
- 1.3 At least one member of the Committee will have recent and relevant experience and competency in actuarial practices and will, preferably, hold a professional qualification from one of the professional actuarial bodies. The members of the Committee, as a whole, will have relevant financial experience and competency in respect of the sectors in which the Society operates.
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other directors and other individuals (including representatives of external advisers) may be invited to attend all or part of any meeting as and when appropriate in the opinion of the Chairman or the majority of its members.
- 1.5 The Board will appoint the Chairman.
- 1.6 In the absence of the Chairman and/or an appointed deputy, the remaining members present will elect one of themselves to chair the meeting.
- 1.7 The chairman of the meeting will be entitled to a casting vote in addition to any other vote he/she may have.

#### **2 Secretary**

The Secretary of the Society, or any other person selected for the task by the Committee, will act as the Secretary of the Committee.

#### **3 Quorum**

The quorum necessary for the transaction of business will be 2 members. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **4 Frequency of meetings**

- 4.1 The Committee will meet at least 4 times a year and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Chairman will maintain a dialogue with key individuals involved in the Society’s governance, including the Chairman of the Board, the

Chairmen of other Sub-Committees of the Board, the Chief Executive Officer and the Chief Risk Officer.

## **5 Notice of meetings**

- 5.1 Meetings of the Committee will be convened by the Secretary of the Committee at the request of any of its members or at the request of the Society's Chief Risk Officer if she/he considers it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting.
- 5.3 The Secretary will ensure that each member of the Committee (and any other attendee as appropriate) receives information and papers in a timely manner to enable proper consideration to be given to issues.

## **6 Minutes of meetings**

- 6.1 The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings will be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, other than where, in the opinion of the Chairman, it would be inappropriate to do so.

## **7 Annual General Meeting**

The Chairman should attend the Society's Annual General Meeting to answer member questions on the Committee's activities.

## **8 Duties**

The Committee will assist the Board in fulfilling its oversight responsibilities for risk management across the Group and should carry out the duties detailed below for the Society, major subsidiary undertakings and the Group as a whole, as appropriate and will include consideration of risks that may affect the Society's members and potential members (e.g. Conduct risks).

- 8.1 The Committee will:
  - a) review the design and effectiveness of the Group's risk management, capital management and internal control frameworks;
  - b) review the Group's risk appetite (including capital buffers) annually, taking account of the current and prospective macroeconomic, business and regulatory environment, and experience of performance against risk appetite (including breaches of risk appetite). Recommend to the Board for its approval any changes to the risk appetite arising from this review;
  - c) review risk reporting provided to the Committee ensuring that:

- (i) the quality of risk reporting enables effective and timely oversight of the identification and management of strategic, financial (including liquidity), operational and conduct risks, as well as understanding of contagion risk across the Group and potential concentrations of risk;
  - (ii) risk exposures are within risk appetite with appropriate risk mitigants in place, or actions determined to bring positions within risk appetite within acceptable timeframes;
  - (iii) the risk culture of the Group is considered periodically.
- d) oversee the development, maintenance and implementation of appropriate risk policies, ensuring that the policy suite serves to set principles for the management of risk across the whole of the Group's risk profile;
  - e) review the Group's capacity to identify and manage new and emerging risk types;
  - f) review reports from the Risk function on the risk implications of proposed strategic initiatives, including the mergers, acquisitions and disposals and the entry into new areas of business or methods of distribution, and focusing on implications for risk appetite;
  - g) satisfy itself that risks to the Group's business plan and the capital implications of these risks are adequately identified and assessed by management, including through appropriate stress testing, and that mitigating actions are understood;
  - h) review the methodology and assumptions for determining economic capital requirements, ensuring that the assumptions and calibrations recommended reflect the Group's forward-looking risk profile;
  - i) review the annual stress and scenario testing programme ensuring that it is appropriately aligned to the Group's strategy and current and forward-looking risk profile;
  - j) review and recommend to the Board for approval, the Society's Own Risk and Solvency Assessment (ORSA) report and ORSA policy;
  - k) consider and make recommendations as regards the development and maintenance of a Recovery & Resolution Plan;
  - l) review the risk aspects arising from the launch of new products as well as from the periodic formal review of existing products;
  - m) review relationships with regulators and developments in the regulatory environment;
  - n) review and approve the annual Compliance programme and the Compliance Charter;
  - o) review reporting on the outcome of regulatory compliance monitoring activity;
  - p) review an annual report on the Group's Financial Crime exposures and controls;
  - q) review an annual report on the Group's Business Contingency Plan;

- r) review the Risk function's own annual plan and the adequacy of resources to achieve the plan;
- s) assess the independence, remit and performance of the Risk & Compliance functions, including the performance of the Chief Risk Officer;
- t) approve the appointment and termination the Society's Chief Risk Officer;
- u) provide input on risk management considerations to the Remuneration Sub-Committee's reviews of targets and performance objectives for executive remuneration, as requested by the Remuneration Sub-Committee;
- v) consider any other matters relevant to the Group's risk management that are referred to it by the Board.

## **9 Reporting responsibilities**

- 9.1 The Chairman will report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including how it has discharged its responsibilities.
- 9.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee will produce a report to be included in the Society's annual report and accounts, describing the Committee's work and how it has discharged its responsibilities.
- 9.4 The Committee will report to the Audit Sub-Committee as required on the effectiveness and integrity of the Society's risk management systems.

## **10 Other**

The Committee will:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Secretariat for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to applicable laws and regulations, the Society's Rules, the provisions of the UK Corporate Governance Code (as annotated for Mutual Insurers) and the requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") Handbooks and any other applicable rules, as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference;
- (e) arrange for periodic reviews of its own performance and, at least annually, review its 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; and
- (f) work and liaise as necessary with all other Board Sub-Committees.

## **11 Authority**

11.1 The Committee is authorised to:

- (a) seek any information it requires from any employee of the Society in order to perform its duties;
- (b) obtain, at the Society's expense, independent legal, accounting or other professional advice on any matter it believes is necessary to do so;
- (c) call any employee to be questioned at a meeting of the Committee as and when required;
- (d) have the right to publish in the Group's annual report details of any issues that cannot be resolved between it and the Board;
- (e) review and approve policies on behalf of the Board, as delegated to it by the Board from time to time; and
- (f) delegate any of its duties as it is appropriate to such person or persons as it thinks fit.