

Rothestay

# Board Risk Committee

## Terms of Reference

June 2023



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# Board Risk Committee

## Terms of Reference

### 1. Definitions

Annual Report	The Group's annual report and accounts
Audit Committee	Audit Committee of the Board of the Company
Board	Rothsay Limited board of directors
Business Controls Committee	Executive level sub-committee of the Senior Management Committee
Chair	Chair of the Committee
Committee	Risk Committee of the Board of the Company
Company	Rothsay Limited
Company Secretary	The company secretary(s) for the Company
Customer Conduct Committee	Customer Conduct Committee of the Board of the Company
Executive Risk Committee	Executive level sub-committee of the Committee
Group	Rothsay Limited and its subsidiaries from time to time
Independent Non-Executive Director	Non-Executive Director of the Company or Rothsay Life Plc who is independent in the opinion of the Board
Nomination Committee	Nomination Committee of the Board of the Company
Remuneration Committee	Remuneration Committee of the Board of the Company
Senior Management Committee	Executive level senior management committee of the Group

### 2. Purpose

To assist the Board in providing leadership, direction and oversight of the Group's risk appetite, tolerance, risk strategy, risk governance and risk management framework and of the risk aspects of major investments and corporate transactions. Its primary function is the ongoing monitoring and control of all financial, operational, insurance and other enterprise-wide risks associated with the activities of the Group, within the parameters set by the Board and as set out in the prevailing risk policies of the Group. The responsibility and authority of the Committee covers the whole of the Group's business. The Committee is also responsible for the authorisation and oversight of the Executive Risk Committee, the risk management

function, and for reviewing the ongoing effectiveness of the Group's system for risk monitoring. The Committee may approve, within the parameters set by the Board and by the risk and investment policies of the Group, certain transactions which due to their nature or size require the express approval of the Committee before they can be entered into.

The activities of the Committee should involve liaison with the chair of the Audit Committee and the Customer Conduct Committee to ensure the coordination of the oversight being performed by each committee.

### **3. Membership**

- 3.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the Chair.
- 3.2 The Board shall appoint the Chair who should be either the chair of the Board or an Independent Non-Executive Director.
- 3.3 Appointments shall be for a period of up to three years, extendable by additional periods of three years, so long as members continue to meet the criteria for membership of the Committee.
- 3.4 The Committee shall consist of not less than four members, one of whom shall be the chair of the Audit Committee
- 3.5 All members of the Committee shall be Independent Non-Executive Directors.

### **4. Meetings and attendance**

- 4.1 Only members of the Committee and Board or Rothesay Life Plc Board members have the right to attend Committee meetings. Other individuals, such as members of senior management and any external advisers appointed by the Committee may attend all or any part of any meeting of the Committee if invited by the Committee, as and when appropriate and necessary.
- 4.2 In the absence of the Chair, the remaining members present shall elect one of their number to chair the meeting.

### **5. Quorum and voting**

- 5.1 A quorum necessary for the transaction of business shall be three members.
- 5.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.3 Only members of the Committee may vote at Committee meetings
- 5.4 Matters arising at any Committee meeting shall be determined by a majority of votes.
- 5.5 In the case of an equality of votes, the Chair shall have a second or casting vote (unless he/she is not entitled to vote on the resolution in question).

### **6. Approvals in writing**

The Committee may exercise all or any of the authorities, powers and discretions vested in or exercisable by it by written resolution. Any such written resolution may be effected by email. The quorum for approval of any written resolution by the Committee shall be a majority of Committee members indicating their agreement to the same.

### **7. Secretary**

- 7.1 The Company Secretary or their nominee shall act as secretary of the Committee.
- 7.2 The secretary of the Committee shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **8. Frequency and notice of meetings**

- 8.1 The Committee shall meet not less than five times a year and otherwise as required.

- 8.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair.
- 8.3 The Chair or any other member of the Committee may convene additional meetings at any time to deal with matters in the remit of the Committee.
- 8.4 The chair of the Board, the Chief Risk Officer, the Chief Executive Officer or the Chief Financial Officer may also request a meeting via the Chair if considered necessary.
- 8.5 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 8.6 Board members who are not Committee members may attend all Committee meetings unless otherwise specified by the Chair ahead of a particular Committee meeting.

## **9. Minutes of meetings**

- 9.1 The secretary of the Committee shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance and retain copies of the papers.
- 9.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Chair it would be inappropriate to do so.
- 9.3 The secretary of the Committee shall record all actions, and ensure that they are clearly assigned, completed and reported back to the Committee.
- 9.4 Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records.

## **10. Duties**

The Committee is responsible for:

### **10.1 Risk management framework**

- 10.1.1 recommending the Group's overall risk appetite and tolerance to the Board for approval. In doing so, the Committee should take into account the current and prospective macroeconomic and financial environment, drawing on financial stability assessments such as those published by the relevant industry and regulatory authorities including the Bank of England, the Prudential Regulatory Authority, the Financial Conduct Authority and other authoritative sources that may be relevant for the Group's risk policies;
- 10.1.2 reviewing the Group's risk management framework and approving risk policies, standards and limits within the overall appetite and tolerance approved by the Board;
- 10.1.3 reviewing the Group's processes for determining risk appetite tolerance, monitoring compliance with approved risk tolerance levels and policies and the resultant action in respect of policy breaches;
- 10.1.4 reviewing the Group's material risk exposures, including insurance, market, credit, financial risks from climate change, operational, liquidity, reputational, conduct and compliance, economic and regulatory capital risks against the Group's risk methodologies and management's actions to monitor and control such exposures. In particular, the Committee should:
  - (i) keep under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used; and
  - (ii) set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- 10.1.5 reviewing the Group's stress testing and monitoring management's response to the results;
- 10.1.6 receiving notification of material breaches of risk limits and approving the proposed remedial action where such cases are escalated to the Committee by the Chief Executive Officer or chair of the Executive Risk Committee;
- 10.1.7 reviewing emerging risks including outputs from the Group's Risk Control Self Assessment (RCSA) and Own Risk Solvency Assessment (ORSA) processes;

## **10.2 Strategy**

- 10.2.1 reviewing and approving any new transaction to be executed by any member of the Group which meets the criteria established by the Board and applicable policies;
- 10.2.2 advising the Board on the risks inherent in strategic transactions and business plans and the impact on the Group's risk appetite and tolerance;
- 10.2.3 reviewing the Group's capability to identify and manage new types of risks;

## **10.3 Risk function**

- 10.3.1 considering and approving the remit of the Group's risk function and ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively. The Committee shall also ensure the risk function is separate and independent from the other functions and activities of the Group;
- 10.3.2 reviewing the effectiveness of the risk function and its resourcing upon any significant one off increase in risk exposure or increase in assets under management by 20% or more;
- 10.3.3 providing oversight to the risk function and receiving reports from the risk function in relation to Solvency II (as implemented in the UK) requirements in respect of systems of governance and risk management;
- 10.3.4 recommending the appointment or dismissal of the Chief Risk Officer to the Board;
- 10.3.5 reviewing material reports on the Group from the chair of the Executive Risk Committee and Chief Risk Officer, including but not limited to any recommended changes to the Group's Risk Management Framework, or any other matters referred for escalation to the Committee by the Executive Risk Committee;
- 10.3.6 reviewing material reports on the Group from the chair of the Business Controls Committee relating to any matters referred for escalation to the Committee by the Business Controls Committee;
- 10.3.7 reviewing and monitoring management's effectiveness in responding to the findings and recommendations of the Chief Risk Officer;
- 10.3.8 meeting the Chief Risk Officer at least twice a year, without management being present, to discuss the remit of the risk function and any issues arising;

## **10.4 Capital**

- 10.4.1 reviewing the key assumptions underlying the annual ORSA and other economic capital calculations (excluding the base economic balance sheet);
- 10.4.2 providing oversight, challenge and required approvals for internal model changes and development;

## **10.5 Considering and approving certain transactions**

- 10.5.1 considering and if thought fit approving investment or liability transactions which, in accordance with the Group's Investment and Credit Policy and Underwriting Policy require approval of the Committee;
- 10.5.2 where the relevant transaction does not fit within the approval parameters of the Committee as set out in the Group's Investment and Credit Policy and Underwriting Policy, as applicable, considering the merits of the transaction and if appropriate submitting it to the Board for final approval; and
- 10.5.3 in all cases taking independent external advice where it considers appropriate and available.

## **11. Cooperation with other Committees**

- 11.1 The Committee shall work with the Remuneration Committee to ensure that risk management is properly considered in setting the overall remuneration policy for the Group and the remuneration of the Executive Directors, the Independent Non-Executive Directors and other senior executives.

- 11.2 The Committee shall work with the Customer Conduct Committee to ensure that customer conduct is properly considered within the Group's risk management framework, including consideration of the Consumer Duty and delivering good outcomes for retail customers.
- 11.3 The Committee shall assist the Audit Committee in its review of the adequacy and effectiveness of the Group's system of internal controls, including financial reporting and financial controls, and IT change control.
- 11.4 The Committee shall review and approve material amendments to the terms of reference for the Executive Risk Committee, providing authorisation and oversight to the work of the Executive Risk Committee, and appointing the chair of the Executive Risk Committee.
- 11.5 Where there is a perceived overlap of responsibilities between the Committee, the Audit Committee and the Customer Conduct Committee, the respective committee chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of the Committee, the Audit Committee and the Customer Conduct Committee will be deemed by the Board to have been fulfilled providing it is dealt with by either the Committee, the Audit Committee or the Customer Conduct Committee.

## **12. Governance and reporting responsibilities**

- 12.1 The Committee shall receive regular, but not less than quarterly, reports from the Executive Risk Committee, and the Chief Risk Officer, concerning capital, insurance, market, credit, liquidity and operational risks and other relevant issues.
- 12.2 The Chair shall report formally to the Board on its proceedings after each meeting on all matters which fall within the Committee's remit, making recommendations when requested or deemed appropriate.
- 12.3 If the Committee is not satisfied with any aspect of the Group's risk framework, the levels of any risk or credit exposure, the quality or accuracy of the reporting or any other areas within the Committee's duties or remit above, the Committee shall promptly report its views to the Board.
- 12.4 The Committee shall, if appropriate, produce a report on its activities to be included in the Annual Report. The report should set out the Group's risk management objectives and policies.
- 12.5 The Chief Risk Officer shall have a right of direct access to the Chair.
- 12.6 Where the Committee agrees that changes need to be made to a proposal that has been put before the Committee then the amended proposal shall be brought back before the Committee for final approval at a later date, or authority to sign off the amended proposal shall be delegated to the Executive Risk Committee, the Chief Risk Officer or other named individuals at the discretion of the Committee.

## **13. Authority**

The Board authorises the Committee:

- 13.1 to seek any information it requires from any employee in order to perform its duties;
- 13.2 to obtain, at the Group's expense, external legal, actuarial, risk management or other professional advice on any matter within these Terms of Reference;
- 13.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 13.4 to delegate any of its duties, as appropriate, to such person or persons as it sees fit.

## **14. Annual performance evaluation and Terms of Reference**

- 14.1 The Committee should conduct an annual performance evaluation of the Committee regarding its activities and effectiveness, including member participation, and provide the results of the evaluation to the Board. The evaluation should include an assessment of the performance of the Committee against the duties and responsibilities set out in these Terms of Reference and should entail a review of these Terms of Reference. The Committee should recommend any changes it considers necessary to the Terms of Reference to the Board.
- 14.2 The Chair is authorised by the Board to review and approve any non-material change required to be made to the Committee's Terms of Reference. Any such change should be reported to the Board.

## **15. Other matters**

The Committee shall:

- 15.1 have access to sufficient resources in order to carry out its duties, including access to the Group's company secretariat function for assistance as required;
- 15.2 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;
- 15.3 give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, and other provisions, requirements and applicable rules, as appropriate; and
- 15.4 oversee any investigation of activities which are within these Terms of Reference.

**Approved by the Board on 1 June 2023**