



**Prepared by:** Legal & Secretarial  
**Version:** 4.0  
**Status:** Signed Off  
**Owned by:** Group Board  
**Authorised by:** Group Board  
**Dept:** Legal & Secretarial  
**Sign-Off Date:** 27/11/2019

# **GROUP RISK COMMITTEE TERMS OF REFERENCE**

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## Document Control

### Document History

Date	Version	Key Changes	Distributed To
07/03/2014	V1.0		GRC
28/02/2017	V1.1	Adoption of new template and updated to reflect regulatory requirements.	GRC
07/03/2017	V1.1	Adoption of new template and updated to reflect regulatory requirements.	Group Board
11/09/2018	V2.1	2018 Annual Review	GRC
12/11/2019	V3.1	2019 Annual Review	GRC

### Document Sign-Off

Authorised by	Department	Version Signed-Off	Sign-Off Date
GRC	N/A	V1.0	14/03/2014
Group Board	N/A	V2.0	15/03/2017
GRC	N/A	V2.1	18/09/2018
Group Board	N/A	V3.0	25/09/2018
GRC	N/A	V3.1	19/11/2019
Group Board	N/A	V4.0	27/11/2019

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## **1. Constitution**

- 1.1 The Group Risk Committee (“the **Committee**”) was constituted as a committee of the Board of Directors of both Ecclesiastical Insurance Group plc and Ecclesiastical Insurance Office plc (the Group Board) in accordance with the articles of association each Company
- 1.2 The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which will report to the Committee.

## **2. Membership**

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Group Nominations Committee in consultation with the Committee Chairman.
- 2.2 The Committee shall comprise a minimum of three members the majority of whom shall be independent Non-Executive Directors (NEDs). <sup>1</sup>
- 2.3 A member of the Group Audit Committee and Group Remuneration Committee shall serve as a member of the Committee.
- 2.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Group Chief Risk Officer (GCRO), the Director of Group Compliance and Group Chief Actuary may be invited to attend all or part of any meeting as and when appropriate.
- 2.5 The Board shall appoint the Committee Chairman who shall be an independent NED. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.6 Any Board member may attend any Committee meeting with the prior consent of the Committee’s Chairman, whose consent may not be unreasonably withheld.

## **3. Secretary**

- 3.1. The Company Secretary or his/her nominee shall act as the Secretary of the Committee.

## **4. Quorum**

- 4.1. The quorum necessary for the transaction of business shall be two members present in person, by audio or video conference.

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<sup>1</sup> From 1 January 2020 clause 2.2 will be amended to “The Committee shall comprise a minimum of three members, all of whom shall be independent Non-Executive Directors (NEDs).”

- 4.2. 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. Attendance at Meetings**

- 5.1. The Committee shall meet not less than four times a year.
- 5.2. Meetings of the Committee may be conducted when the members are physically present together and/or by video or audio conference.

## **6. Notice of Meetings**

- 6.1. Meetings of the Committee shall be summoned by the Secretary of the Committee or at the request of any of its members.
- 6.2. 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, any other person required to attend and all other NEDs, 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.

## **7. Minutes of Meetings**

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. Minutes of Committee meetings shall be circulated to all members of the Committee and once agreed, to all members of the Board.
- 7.3. A resolution in writing and signed by all members of the Committee (including by electronic means) will be as effective as a resolution passed at a Committee Meeting.

## **8. Voting arrangements**

- 8.1. Subject to paragraph 8.2, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting whether in person or by audio or video conference.
- 8.2. If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting unless authorised to do so by the other members of the Committee.
- 8.3. The Committee chair may ask any member or attendee to leave the meeting to allow discussions of matters of a confidential nature or relating to them.

## **9. Role**

- 9.1. The role of the Committee is to oversee the Group's risk management framework (including risk appetite and tolerance) and the Group's risk and compliance functions; and to review conduct and prudential risk (including overseeing the capital model).

## **10. Duties**

The Board is responsible for determining the role and remit of the Committee. The Committee should carry out the duties below having regard to the Group as a whole.

### **10.1 Risk Management Framework**

- 10.1.1 Recommend to the Board the Group's strategy, policy and processes for enterprise risk management and monitor their adoption throughout the Group.
- 10.1.2 Consider the current and prospective macroeconomic and financial environment in reviewing and recommending the overall risk appetite, tolerance and strategy to the Board.
- 10.1.3 Keep under review the effectiveness of the Group's enterprise risk management framework.
- 10.1.4 Ensure that the material risks facing the Group have been identified on an enterprise risk management basis and ensure these address the issues relevant to the Group's control environment.
- 10.1.5 Monitor the operational effectiveness of risk policies and systems.
- 10.1.6 Receive and review risk based management information and risk management reports and make recommendations for change as and when appropriate.
- 10.1.7 Consider the effect on the risks of the Group of material findings of compliance reports, as well as reported breaches and any proposed regulatory changes.
- 10.1.8 Consider the effect on the risks of the Group of the material findings of Internal Audit reports carried out for the Group Audit Committee.
- 10.1.9 Ensure a risk management culture is embedded in the Group.
- 10.1.10 Recommend to the Board approval of Risk Management Report in the Annual Report including the Directors' Statement confirming that a robust assessment of the principal risks facing the Group has been carried out (including those that would threaten the business model, future performance, solvency or liquidity). In addition, the Committee shall report on its own and performance in the Annual Report.
- 10.1.11 Oversee major issues reported from the Risk Management Governance Structure, which includes the Market and Investment Risk Committee, Insurance Risk Committee and Group Operational, Regulatory and Conduct Risk Committee.
- 10.1.12 Ensure appropriate liaison with other Board Committees, such as the Group Remuneration Committee and Group Audit Committee.

10.1.13 Review and recommend to the Board authority levels for Claims, Underwriting, Reinsurance, Third Party Services and Insurance and Distribution Contracts.

## **10.2 Group Risk**

10.2.1 Approve the appointment or removal of the GCRO.

10.2.2 Consider and approve the remit of the Group Risk Function annually and ensure that the function has adequate resources and appropriate access to information to enable it to perform its function effectively.

10.2.3 Approve the annual assurance plan for the Group.

10.2.4 Receive regular reports from the GCRO.

10.2.5 Review the Annual Business Continuity and Cyber Risk Reports.

10.2.6 Monitor and review the effectiveness of the Group Risk function. An independent review should be performed every three years.

10.2.7 Meet with the GCRO at least once a year without other management present to discuss their remit and any issues arising from risk review work undertaken. In addition, the GCRO shall be given the right of direct access to the Chairman of the Board and to the Committee.

10.2.8 At the request of the Group Remuneration Committee review reports to the Group Remuneration Committee from the GCRO or the Group Risk function in connection with the FCA's Remuneration Code, risk adjustment mechanisms to be applied to performance objectives set in the context of incentive packages and the risk impact of other remuneration proposals.

10.2.9 Review the annual Control Risk Self-Assessment (CRSA).

## **10.3 Prudential Risk**

10.3.1. Review Group capital management taking into consideration the Economic Capital Requirements and risk appetite.

10.3.2. Ensure that the Internal Model scope and design reflects the risk profile of the business and does not materially mis-state the capital requirements. This includes consideration of model limitations, assumptions, expert judgements and data used.

10.3.3. Ensure that Internal Model governance operates effectively and is used in key strategic decision making.

10.3.4. Oversee the design of Internal Model validation exercises, Internal Model Validation Reports and subsequent remediation plans.

10.3.5. Review and recommend to the Board:

- a) the Internal Model Policies and Standards (including but not limited to the Governance Policy, Change Policy, Validation Policy and Standard).

- b) all Internal Model Changes (as proposed in quarterly Change reports).
  - c) all modelled Management Actions and subsequent plans.
  - d) acceptance of the annual Solvency Capital Requirement Report and Profit and Loss Attribution Report.
  - e) acceptance of the ORSA (“Own Risk and Solvency Assessment”) and oversee associated developments.
- 10.3.6. Review the appropriateness of stress tests, scenario analysis and reverse stress tests, reviewing results and proposing necessary actions.
- 10.3.7. Review the effectiveness of the Group’s systems and processes for ensuring compliance with the PRA’s regulatory regime including consideration of the Group’s Governance Framework, Overarching Policies Framework, Responsibilities Maps and Group Expectations of Strategic Business Units.

#### **10.4 Conduct Risk**

- 10.4.1. Monitor the adequacy of the Group’s overall approach to conduct risk.
- 10.4.2. Ensure a conduct risk culture is embedded across the Group.
- 10.4.3. Consider and approve a Conduct Risk Appetite.
- 10.4.4. Review the implementation of Conduct Risk Policy Requirements.
- 10.4.5. Review any significant conduct risk issues that have a material impact on customers.
- 10.4.6. Review the effectiveness of the Group’s systems and processes for ensuring compliance with the FCA’s regulatory regime including reviewing key conduct risk issues and any business participation in the FCA’s thematic reviews.

#### **10.5 Compliance**

- 10.5.1. Review the effectiveness of the Group’s systems and processes for ensuring compliance with the FCA regulatory regime and overseas regulatory regime.
- 10.5.2. Consider and approve the remit of the Group Compliance Function and ensure that the function has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure that the function has adequate standing and is free from management or other restrictions.
- 10.5.3. Review and assess the Annual Compliance Plan.
- 10.5.4. Review reports from Group Compliance and monitor management’s responsiveness to the findings and recommendations from Compliance Monitoring Reviews.
- 10.5.5. Review the Group’s systems and controls for the prevention of bribery and corruption.



- 10.5.6. Review the Group's anti-money laundering systems and controls and receive reports from the Money Laundering Officer.
- 10.5.7. Review the Group's data protection systems and controls and receive reports from the Data Protection Officer.
- 10.5.8. Meet the Director of Group Compliance at least once a year, without other management being present, to discuss their remit and issues arising from Compliance Monitoring Reviews. In addition, the Director of Group Compliance shall be given direct access to the Chairman of the Board and the Committee.

## **11. Reporting Responsibilities**

- 11.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **12. Other Matters**

### **The Committee shall:**

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 12.2 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.
- 12.3 oversee any investigation of activities which are within its terms of reference. and
- 12.4 at least once a year, review its own performance, 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.
- 12.5 consider other matters as defined by the Board.

## **13. Authority**

### **The Committee is authorised by the Board:**

- 13.1 to seek any information it requires from any employee of the Group in order to perform its duties.
- 13.2 to seek external input to its work as a means of taking full account of relevant experience elsewhere and in challenging its analysis and assessment.
- 13.3 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference. and

13.4 to call any employee of the Group to be questioned at a meeting of the Committee as and when required.