

Ecclesiastical Insurance Office plc

Risk Committee

Terms of Reference

V1.0

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Owner: **EIO plc Risk Committee**

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Document Control

Document History

Date	Version	Key Changes	Distributed To
23/09/2024	V1.0	Establishment of new TORs for the newly created <u>EIO plc Risk Committee</u> .	<u>EIO plc Board</u>

Document Sign-Off

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Definitions to all emboldened and underlined references used throughout this document are included in the **Governance Framework** document.

Contents

Terms of Reference	4
1. Constitution	4
2. Membership.....	4
3. Secretary	4
4. Quorum.....	5
5. Frequency of Meetings	5
6. Notice of Meetings	5
7. Minutes of Meetings.....	5
8. Purpose	5
9. Duties	5
10. Reporting, Disclosure and Governance	8
11. Other Matters	9
12. Authority.....	9

Terms of Reference

1. Constitution

- 1.1 The **EIO plc Risk Committee** was constituted as a **Committee** of the **Board** of **Directors** of **EIO plc** in accordance with the **Articles** of **EIO plc**.
- 1.2 The **Risk 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 **Risk 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 **Risk Committee**.

2. Membership

- 2.1 The **Risk Committee** shall comprise at least three members, all of whom shall be independent **Non-Executive Directors**. The **Risk Committee** shall include at least one member of the **Audit Committee** and at least one member of the **Group Remuneration Committee**.
- 2.2 Members of the **Risk Committee** shall be appointed by **EIO plc's Board** on the recommendation of the **Group Nominations Committee** and in consultation with the chair of the **Risk Committee**.
- 2.3 Only members of the **Risk Committee** have the right to attend **Risk Committee** meetings. However, the **EIO Group's CFO** and **CRO** shall be expected to attend meetings of the **Risk Committee** on a regular basis and other individuals including the **EIO Group's** Head of Compliance and Chief Actuary may be invited to attend all or part of any meeting as and when appropriate. The **CEO** of any **EIO Group SBU** or, in their absence, any other **Director** of the **SBU** may be invited to attend part of any meeting where the **Risk Committee** is dealing with a matter on behalf of or delegated by the **SBU Board**.
- 2.4 **EIO plc's Board** shall appoint the **Risk Committee** chair. In the absence of the **Risk Committee** chair and/or an appointed deputy at a **Risk Committee** meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 2.5 Appointments to the **Risk Committee** shall be for a period of up to three years, which may be extended for a further three-year period and annually thereafter, provided the **Director** continues to hold office and remains independent and is approved by the **shareholder**.
- 2.6 Any member of **EIO plc's Board** may attend any **Risk Committee** meeting with the prior consent of the **Risk Committee's** chair, whose consent may not be unreasonably withheld. This will also apply to any **SBU Director** when the **Audit Committee** is dealing with a matter relevant to that **SBU**.

3. Secretary

The company secretary, or their nominee, shall act as the secretary of the **Risk Committee** and will ensure that the **Risk Committee** receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be two members.
- 4.2 A duly convened meeting of the **Risk 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 **Risk Committee**.

5. Frequency of Meetings

- 5.1 The **Risk Committee** shall meet at least four times a year at appropriate times and otherwise as required.
- 5.2 Meetings of the **Risk Committee** may be conducted when the members are physically present together or in an alternative form (such as video conference, audio conference or written resolution).

6. Notice of Meetings

- 6.1 Meetings of the **Risk Committee** shall be called by the secretary of the **Risk Committee** at the request of the **Risk Committee** chair or any of its members.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the **Risk 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 **Risk Committee** members and to other attendees, as appropriate, at the same time.

7. Minutes of Meetings

- 7.1 The secretary of the **Risk Committee** shall minute the proceedings and decisions of all **Risk Committee** meetings, including recording the names of those present and in attendance.
- 7.2 Draft minutes of **Risk Committee** meetings shall be circulated to all members of the **Risk Committee**. Once approved, minutes should be circulated to all other members of the **EIO plc Board**.

8. Purpose

- 8.1 The **Risk Committee's** primary role is to provide oversight and advice to **EIO plc's Board** in relation to the current and future risk exposures of the **EIO Group**, by reference to strategic developments, including determination of risk appetite and tolerance and desired risk culture. The **Risk Committee** will exercise its duties over all risks contained within the **EIO Group's** risk appetite and the desired risk management approach set out in the **EIO Group's RMF**.
- 8.2 The **Risk Committee** shall have regard to the **EIO Group's** strategic objectives, culture and values. The **Risk Committee** shall provide advice, oversight and challenge necessary to enable management to embed and maintain a supportive risk culture throughout the **EIO Group**.

9. Duties

The **Risk Committee** should carry out the duties below having regard to the **EIO Group** as a whole.

9.1 **RMF:**

- 9.1.1 Oversee the development and implementation of the **EIO Group's RMF** and risk strategy, policies and processes, including the process for identifying, managing and overseeing risk, and ensuring a positive risk management culture is embedded in the **EIO Group**.
- 9.1.2 On an annual basis, or in the event of a significant change to the **EIO Group's** risk appetite, review the design and operating effectiveness of the **EIO Group's** system of internal controls and risk management. The annual review should cover all material controls including financial, operational, reporting and compliance controls.
- 9.1.3 Monitor any significant issues or weaknesses identified in the systems of internal control, and the actions taken by management to remediate, and make recommendations for change as and when appropriate.

9.2 **Group Risk**

- 9.2.1 Approve the appointment or removal of the **EIO Group's CRO**. Consider and annually approve the remit of the **EIO Group's** Risk Function. Monitor and review the effectiveness of the function and ensure that the function has adequate resources and appropriate access to information to enable it to perform effectively.
- 9.2.2 On an annual basis, approve the assurance plan for the **EIO Group**; review the business continuity and cyber risk reports; meet with the **EIO Group's CRO** without other management present to discuss their remit in relation to the **EIO Group** and any issues arising from risk review work undertaken; and assess the current, emerging and potential risks facing the **Insurance Division** and provide advice on the management and mitigation of those risks, ensuring there are effective procedures in place to identify and manage emerging risks.
- 9.2.3 Work with all other **Committees** where their work has risk implications. Specifically, and at the request of the **Group Remuneration Committee**, review reports and provide recommendation on 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.

9.3 **Prudential Risk**

- 9.3.1 Review **EIO Group's** capital management taking into consideration the economic capital requirements and risk appetite.
- 9.3.2 Review the appropriateness of stress tests, scenario analysis and reverse stress tests, reviewing results and proposing necessary actions.

As it applies to **EIO plc**:

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

9.3.4 Review the methodology, assumptions and limitations used in the **EIO Group's** model for determining its economic and regulatory capital requirements.

9.3.5 Review and recommend to the Board:

9.3.5.1 the scope of the **EIO Group's** internal model.

9.3.5.2 all model changes, modelled management actions and subsequent plans.

9.3.5.3 acceptance of the annual Solvency Capital Requirement Report.

9.3.5.4 acceptance of the Own Risk and Solvency Assessment and oversee associated developments.

9.4 **Conduct Risk**

9.4.1 Consider and approve the **EIO Group's** conduct risk appetite, including monitoring the adequacy of the **EIO Group's** approach to conduct risk and reviewing the implementation of conduct risk policy requirements, and ensure a conduct risk culture is embedded across the **EIO Group**.

9.4.2 Review any significant conduct risk issues that have a material impact on **Customers**, taking account of the Consumer Duty.

9.5 **Climate Change**

9.5.1 Oversee the **EIO Group's** impact and exposure to financial and reputational risks arising from climate change on the **EIO Group's** business model whilst ensuring it is in line with the **EIO Group's** risk appetite, making any appropriate recommendations to the **EIO plc Board** and liaising with other **Committees** where necessary.

9.6 **Reputational Risk**

9.6.1 Review the **EIO Group's** reputational risk profile in line with the **EIO Group's** risk appetite including consideration of emerging risks;

9.6.2 Provide oversight of the process for identifying, managing and overseeing **EIO Group** reputational risk; and

9.6.3 Review Management actions to address any **EIO Group** reputational risks identified.

9.7 Compliance

- 9.7.1 Consider and approve the remit of the **EIO Group's** Compliance Function and ensure that the function has adequate resources and appropriate access to information to enable it to perform effectively.
- 9.7.2 Review and assess the annual compliance plan and annually meet with the **EIO Group's** Head of Compliance without other management present to discuss their remit and issues arising from compliance monitoring reviews.

9.8 Investments

- 9.8.1 Review and approve an investment risk management policy for the **EIO Group**.
- 9.8.2 Review and approve relevant Market Risk appetites and Board approved limits relating to investment strategy (including exposure to strategic assets)
- 9.8.3 Regularly review the suitability of market risk and investment exposure, with reference to risk appetite and limits (by exception)
- 9.8.4 Regularly review the suitability of non-traded assets, managing valuation uncertainty and ensuring effective systems and controls are in place to limit and manage their exposure.

9.9 Governance and Regulation

- 9.9.1 Review the effectiveness of the **EIO Group's** systems and processes for ensuring compliance with the **FCA's** regulatory regime and overseas regulatory regimes.
- 9.9.2 Review the effectiveness of the **EIO Group's** systems and processes for ensuring compliance with the **PRA's** regulatory regime.
- 9.9.3 Review the **BG plc's Governance Framework**, corporate policy framework and responsibilities maps. Review the **EIO plc** (as a **Divisional Holding Company**) **Authorities Framework** and recommend to the **EIO plc Board** authority levels for claims, underwriting, reinsurance, third party services and insurance and distribution contracts. Review and accept the Actuarial Function's Opinions on underwriting, pricing and reinsurance.

10. Reporting, Disclosure and Governance

- 10.1 The **Risk Committee** chair shall report formally to the **EIO plc Board** on its proceedings after each meeting on all matters within its duties and responsibilities and make whatever recommendations to the **EIO plc Board** it deems appropriate on any area within its remit where action or improvement is needed. The **Risk Committee** chair shall also report to the **BG plc Board** and any other **EIO Group SBU Boards** and/or **Committees** as required.
- 10.2 The **Risk Committee** shall compile a report on its activities, including a report on its own performance, to be included in **EIO plc's** annual report describing the work of the **Risk**

Committee and recommend to the **EIO plc Board** approval of the Risk Management Report to be included in **EIO plc's** annual report.

10.3 Annually, the **Risk Committee** shall 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 **EIO plc Board** for approval.

10.4 The **Risk Committee** shall consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.

10.5 The **Risk Committee** shall review the assurance reports from management on the effectiveness of the internal control and risk management systems, including reports on the **EIO Group's** systems and controls relating to outsourcing (including investment function and activities) and third party risk management and for the prevention of bribery and corruption, anti-money laundering and data protection from the **EIO Group's CRO**, Group Compliance, the **MLRO** and **DPO**; and from the internal audit and others on the operational effectiveness of matters related to risk and control. Review reports from the **MIREM** and GI Insurance Risk Meeting, including reports on the **EIO Group's** underwriting and investment risk.

10.6 The **EIO Group's CRO** and Head of Compliance have direct access to the **Risk Committee** chair on matters within the **Risk Committee's** remit.

11. Other Matters

The **Risk Committee** shall

11.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.

11.2 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. Authority

The **Risk Committee** is authorised to:

12.1 Request the attendance of any employee at a meeting of the **Risk Committee** and/or seek any information it requires from any employee of the **EIO Group** in order to perform its duties.

12.2 Obtain, at **EIO plc's** expense, independent legal or other professional advice on any matter within its **Terms of Reference** if it believes it necessary to do so.