

**FAMILY ASSURANCE FRIENDLY SOCIETY LIMITED**

**THE RISK SUB-COMMITTEE**

**TERMS OF REFERENCE**

(as adopted by the Society's Board of Directors on 3 April 2025)

**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 Chair. The Committee will be made up of at least 3 members, including at least one member of each of the Remuneration and Audit Sub-Committees.
- 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 The members of the Committee, as a whole, will have appropriate knowledge, skills and expertise to fully understand risk appetite and strategy, and 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. At least one director of each subsidiary company will be expected to be in attendance to enable oversight of those firms. The Chief Risk Officer shall be expected to attend meetings and other directors and 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 Chair or the majority of its members.
- 1.5 The Board will appoint the Chair.
- 1.6 In the absence of the Chair and/or an appointed deputy, the remaining members present will elect one of themselves to chair the meeting.
- 1.7 The Chair 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.

**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 Chair will maintain a dialogue with key individuals involved in the Society's governance, including the Chair of the Board, the Chair of the Audit Sub-Committee, the Chairs of other Sub-Committees of the Board, the Chief Executive Officer and the Chief Risk Officer.

#### **4 Notice of meetings**

- 4.1 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.
- 4.2 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.
- 4.3 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.

#### **5 Minutes of meetings**

- 5.1 The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 5.2 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 Chair, it would be inappropriate to do so.

#### **6 Annual General Meeting**

The Chair should attend the Society's Annual General Meeting to answer member questions on significant matters related to the Committee's areas of responsibility.

#### **7 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, 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). For the avoidance of doubt, oversight of subsidiary companies will be effected through receipt of reports from the directors of each firm and directions being made by the Committee to those directors in the capacity of the Society as the parent company holding 100% ownership.

- 7.1 The Committee will:
- a) review the design and effectiveness of the Group's risk management, capital management and internal control frameworks (excluding internal financial controls which are reviewed by the Audit Sub-Committee);

- b) consider any matters referred to it by the Audit Sub-Committee arising from its reviews of the Group's internal financial controls and the integrity of the Group's financial statements;
- c) review the Group's risk strategy and 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;
- d) Oversee and seek suitable assurance that:
  - (i) there is effective and timely oversight of the identification and management of strategic, financial (including insurance, liquidity and asset/liability management), operational (including cyber and operational resilience) and conduct risks, as well as climate-related and reputational risks, and 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.
- e) oversee the development, maintenance and implementation of appropriate risk policies and approve or recommend any reviewed changes to the Board for approval as appropriate, ensuring that the policy suite serves to set principles for the management of risk across the whole of the Group's risk profile;
- f) review the Group's capability to identify and manage new and emerging risk types;
- g) review reports from the Risk function on the risk implications of proposed strategic initiatives, including mergers, acquisitions and disposals and the entry into new areas of business or methods of distribution, and focusing on implications for risk appetite;
- h) 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;
- i) 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;
- j) review the annual stress and scenario testing programme including reverse stress testing, ensuring that it is appropriately aligned to the Group's strategy and current and forward-looking risk profile;
- k) review and recommend to the Board for approval, the Society's Own Risk and Solvency Assessment (ORSA) report and ORSA policy;
- l) review and recommend to the relevant Boards for approval, the investment subsidiaries' (Family Equity Plan Limited and Engage Mutual Funds Limited) Internal Capital and Adequacy Assessment (ICARA) reports;

- m) consider and make recommendations as regards the development and maintenance of a Recovery & Resolution Plan;
- n) review the risk aspects arising from the launch of new products as well as from the periodic formal review of existing products;
- o) review relationships with regulators and developments in the regulatory environment;
- p) review and approve the annual Compliance Monitoring Plan and resource
- q) review reporting on the outcome of regulatory compliance monitoring activity;
- r) review an annual report on the Group's Financial Crime exposures and controls;
- s) review an annual report on the Group's Data Privacy exposures and controls;
- t) review an annual report on the Group's Business Contingency Plan;
- u) review the Risk function's own annual plan and the adequacy of resources to achieve the plan;
- v) assess the independence, remit and performance of the Risk & Compliance functions, including the performance of the Chief Risk Officer;
- w) Recommend to the Board the appointment and termination of the Society's Chief Risk Officer;
- x) meet with the Society's Chief Risk Officer at least once a year without the management being present to discuss their remit and any issues arising from risk review work undertaken. In addition, the Chief Risk Officer shall be given the right of direct access to the Chair of the Board and to the Committee;
- y) provide input to the Remuneration Sub-Committee, considering separately and together the obligations of each Group firm, on risk management considerations to be applied to remuneration architecture, performance measures and reviews of targets and performance objectives for executive remuneration, including ensuring risk management culture and conduct are appropriately reflected, as requested by the Remuneration Sub-Committee;
- z) review the criteria for identifying Material Risk Takers for each relevant firm;
- aa) consider any other matters relevant to the Group's risk management that are referred to it by the Board.

## **8 Reporting responsibilities**

- 8.1 The Chair will report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities, including how it has discharged its responsibilities.
- 8.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.3 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.

8.4 The Committee will report to the Audit Sub-Committee as required on the effectiveness and integrity of the Society's risk management systems.

## **9 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 relevant UK corporate governance code 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.

## **10 Authority**

10.1 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.