

# Risk and Investment Committee

## Terms of Reference

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The Risk and Investment Committee (“the Committee”) is a committee of the British Friendly Society (“the Society”)’s Board (“the Board”). The Board and its committees are established pursuant to the Society’s Memorandum and Rules (“the Rules”) and unless specifically stated otherwise, terminology, words or expressions used in these Terms of Reference have the same meaning as in the Rules.

### **1.Membership**

- 1.1 The Risk and Investment Committee shall comprise at least 2 members, all of whom shall be independent non-executive directors. Members shall have appropriate knowledge, skills and expertise to fully understand the application of enterprise risk within a financial services company and desirable, have relevant risk experience. Members shall have appropriate knowledge, skills and expertise to fully understand the Society’s investment strategy and the Committee as a whole shall have competence relevant to the sector in which the Society operates.
- 1.2 Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Risk and Investment Committee.
- 1.3 Only members of the Committee and other non-executive directors have the right to attend Committee meetings. Other individuals such as the Chief Executive, and CFO and CRO and internal advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.4 The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be Chair of the Committee.

### **2.Secretary**

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

### **3.Quorum**

The quorum necessary for the transaction of business shall be two, both of whom must be independent non-executive directors.

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

The Committee shall meet at least four times a year and otherwise as required.

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### **5. Notice of meetings**

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair, should the chair refuse to call a meeting then at the request of any of its members.

### **6. Minutes of the meeting**

- 6.1 The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 6.2 Chair approved draft minutes of Committee meetings shall be circulated to all members of the Committee and shall be reviewed, amended if necessary and approved by the Committee at its next meeting.

### **7. Engagement with Members**

- 7.1 The Committee chair should attend the annual general meeting to answer any member questions on the Committee's activities.

### **8. Duties (Risk)**

The Committee should carry out the duties set out below for the Board as appropriate.

The Committee shall:

- 8.1 Advise the Board and provide oversight to the Executives on the Society's Risk Management Framework including but not limited to the setting and monitoring of risk appetite tolerances, the review and recommendation to the Board of the Annual Own Risk and Solvency Assessment Report (ORSA), the oversight of the risk register and the risk and control attestation within the Society in particular ensuring compliance with Articles 44(1) and 44(2) of the Solvency II Directive.
- 8.2 Ensure the Society's Risk Management function is adequately resourced and has appropriate access to information to perform effectively whilst having adequate independence from management (first line of defence)
- 8.3 Ensure that the Head of Risk and Chief Risk Officer has direct access to non-executive directors including the Chair of the Committee and the Board
- 8.4 The Committee should ensure that all the risks to which the business is or may be exposed have been identified and appropriate risk treatment is taken (accept, mitigate or transfer). These should be captured in the risk register and include, but not limited to:
  - 8.4.1 Insurance risk, sickness risk, operational risk including IT and cyber risk, capital management risk, reputational risk, market risk, interest rate risk, liquidity risk, credit risk, reputational risk, climate, legal and regulatory risk (including conduct risk).

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- 8.4.2 Emerging risk should be identified and reported to the Committee and should advise the Board on the likelihood and the impact of these emerging risks.
- 8.5 Monitor and review the adequacy of the Society's operational resilience and business continuity plans
- 8.6 Advise on and monitor the Society's risk appetite, key risk indicators and associated stress testing.
- 8.7 Monitor and review any errors that crystallise due to risk failures or control weaknesses and ensure root-cause analysis is performed where necessary.
- 8.8 Review the appropriateness of the Society's values and culture and reward system for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Society. Liaise with Remuneration Committee to ensure appropriate claw-back of remuneration where appropriate
- 8.9 Keep under review the Society's internal financial controls system that identify, assess, manage and monitor financial risks, and other internal control and risk management systems
- 8.10 Review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risk and the viability statement.

### **9. Duties (Investment)**

- 9.1 Appoint appropriate Investment managers to the Society and undertake a formal review of investment services as appropriate
- 9.2 Monitor, review and make recommendations to the Board on appropriate asset allocations of investments having taken advice from the Actuarial Function and Finance Function regarding the liabilities of the Society
- 9.3 Review and approve any request by the Investment Managers to any variations of the Society's strategic asset allocation ranges
- 9.4 Consider the investment strategy after receiving reports from the investment managers, and report to the Board on recommendations
- 9.5 Meet with the Investment managers at each Risk and Investment Committee meeting.
- 9.6 Review and recommend to the Board the appropriate strategy in relation to the property portfolio
- 9.7 Instruct a property re-evaluation every three years or more regularly if necessary.

### **10. Reporting Responsibilities**

- 10.1 The Committee Chair shall report to the Board after each meeting on the nature and content of its discussion, recommendations and actions to be taken.

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- 10.2 The Committee shall make whatever recommendations to the Board it seems appropriate within its remit where action or improvement is needed, and appropriate.
- 10.3 The Committee shall produce a report to be included in the Society's annual report describing the work of the Risk and Investment Committee.

### 11. Other Matters

The Committee shall:

- 11.1 Have access to sufficient resources in order to carry out its duties
- 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.
- 11.3 Give due consideration to all relevant laws and regulations as appropriate
- 11.4 Ensure that a periodic evaluation of the Committee's own performance is carried out.
- 11.5 At least annually, review the Committee's constitution and terms of reference to ensure it is operating at maximum effectiveness recommending any changes necessary to the Board for approval.
- 11.6 The Committee is authorised by the Board to obtain, at the Society's expense, outside research, legal or other professional advice on any matters within its terms of reference.

Approved by the Board on 25<sup>th</sup> March 2021

Approval	Recommendation to the Board
Appoint investment Managers	Overall risk appetite
TOR for the Risk and Investment Committee	Recommendation of strategy regarding the property portfolio
Variation to the Society's strategic asset allocations	Recommend to the board on appropriate asset allocations of investments
Approve and review the risk management section of the Annual Report	Recommend to the Board investment strategy
	Recommendation to the board the approval of the ORSA
	Appropriate Policies and Procedures
	Operational Risk Policy

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	Risk Management Framework
	Governance Framework