

## Wesleyan Assurance Society

### Terms of Reference for Society Risk Committee

<b>1. Scope and Purpose</b>	<p>The Risk Committee is a sub-committee of the Board.</p> <p>The purpose of the Committee is to provide independent oversight of the group's risk management across the Society all of its subsidiaries from the viewpoint of both the Estate and With Profits Policyholders. This includes oversight of risk and regulatory issues relating to the Society's distribution company, WFS.</p> <p>This will be achieved through:</p> <ul style="list-style-type: none"> <li>a) reviewing the quality, independence and effectiveness of the group's Risk and Regulatory function and the group's Integrated Risk Management (IRM) framework;</li> <li>b) reviewing reports on the group's IRM framework and reports that assess the nature and extent of risks facing the group including comparison of the group's risk profile with its risk appetite;</li> <li>c) reviewing the Own Risk and Solvency Assessment (ORSA), the associated stress and scenario testing and progress against actions to manage material risks to the business.</li> </ul> <p>The Risk and Regulatory function is responsible for reporting to the Board in relation to the group's IRM framework, via the Risk Committee, including risk appetite and strategy, policies, methodologies, risk reporting and regulatory compliance. It is an independent, objective oversight and challenge activity designed to add value and improve the operations of the Society and its subsidiary companies ("the group"). It helps the group accomplish its objectives by bringing a systematic, disciplined approach to risk identification, management and control.</p> <p>The Risk Committee is required to monitor and review any escalated items from the Executive. It also needs to monitor any outputs of any investigations and the implementation of management activities related to items escalated to them. The Committee reports to the Board on the outcome of its monitoring and review activities.</p>
<b>2. Roles and Responsibilities</b>	<p>The Risk Committee is responsible for undertaking the matters specified, and for being the escalation route for the resolution of significant issues related to risk that cannot be resolved by the Executive as required. The terms of reference defines the role of the Committee in conjunction with the rolling agenda. In all matters, the Committee will consider the relevance and implications of the FCA Consumer Duty requirements.</p> <p><b>Approve</b></p> <ul style="list-style-type: none"> <li>a) monitoring and review activities that are to be reported to the Board, including the accurate and timely monitoring of large exposures or risk types of critical importance and the recommendations for approval by the Board;</li> </ul> <p><b>Be responsible for</b></p> <ul style="list-style-type: none"> <li>b) considering any proposed changes to the IRM framework, including any proposed changes to risk appetite and tolerances and making recommendations to the Board;</li> <li>c) agreeing key risk strategies and key risk policies to be adopted by the group and recommending for approval by the Board;</li> <li>d) considering, on behalf of the Board, reports that assess the nature and extent of the risks facing the group, including consideration of risk issues arising in connection with the Society's annual Business plan and future risk strategy, prior to final discussion of that plan or risk strategy by the Board;</li> <li>e) reviewing and recommending to the Board for approval the statements to be included in the Annual Report concerning risk management and Sustainability reporting in line with TCFD requirements;</li> <li>f) considering the Society's Capital Plan in respect of risk and capital adequacy and making recommendations to the Board;</li> <li>g) reviewing, monitoring and considering on behalf of the Board material issues arising in relation to the Internal Model, the Own Risk and Solvency Assessment (ORSA) and the Capital Management Strategy. Making recommendations to the Board as required;</li> </ul>

- h) considering, significant business initiatives/proposals such as major change projects, acquisitions or disposals or investment in new asset classes from a risk viewpoint and make recommendations to the Board;
- i) agreeing on behalf of the Board the annual financial crime prevention report made by the group's Money Laundering Reporting Officer;
- j) providing input to the Remuneration Committee to ensure that risk is properly considered in the setting of remuneration;
- k) providing input to management on the appointment, performance and dismissal of the Chief Risk Officer and their remuneration;
- l) to approve the appointment or dismissal of the Compliance & Data Protection Officer and participate in the determination of their remuneration;

#### **Monitor**

- m) the IRM framework and ensure its effectiveness, soundness and integrity;

#### **Review and Challenge**

- n) provide independent objective challenge, oversight and support of risk management activity and culture across the Society;
- o) review the approach, nature and scope of the work of the Risk and Regulatory functions to ensure they are acting effectively;
- p) review the structure and operation of the Risk and Regulatory functions to ensure they are adequately resourced and have appropriate standing within the group;
- q) review the group's risk profile, capital and liquidity against its risk appetite and strategy; to review the drivers of changes in the risk profile and their implications (including risk oversight over investment funds, providing advice to the Board in its role to set investment strategy and risk appetite);
- r) review management's view of emerging and potential risks; and to review the management actions required in response to changes in the risk profile and emerging or potential risks;
- s) review reports that consider the identification, assessment and management of conflicts of interest across the group;
- t) to review and approve the approach, nature and scope of monitoring compliance with regulations;
- u) to review all high and very high rated issues reflected in regulatory reports.
- v) review and approve the annual Risk and Regulatory function plans;
- w) review (i) the scenarios and stress tests that the group uses to assess the adequacy of its capital and liquidity and (ii) the reverse stress testing carried out by the group; and to consider any management actions required in response to these outcomes; and
- x) request and review reports on particular aspects of risk management (including Conduct Risk, Operational Resilience (including in relation to people and culture), Information Security, Data Protection and Governance, Cyber risk, Sustainability risk, Climate Change, Transformation Risk, Supplier Management and Outsourcing and Business Continuity planning) as it considers appropriate.
- y) Review and challenge the Society's approach to managing risks arising from climate change and sustainability. This includes: review of climate change risk appetite and metrics used to monitor climate change and sustainability risks; review of the outputs of climate change scenario testing and other sustainability scenarios; review of the Society's assessment of financial risks from climate change.

#### **Report**

- z) report to the Board the outcome of the Risk Committee's monitoring and review activities and recommendations for approval where appropriate.

<b>3. Authority</b>	<ul style="list-style-type: none"> <li>▶ The Board has delegated responsibility for independent oversight of the group's risk management to the Risk Committee.</li> <li>▶ The Risk Committee is supported by the Risk and Regulatory function. The Risk and Regulatory function will maintain their independence from first line management through their direct reporting line to the Risk Committee.</li> <li>▶ Following the approval of the Risk Committee Terms of Reference by the members of the Risk Committee, the Terms of Reference will be presented to the Board for sign-off.</li> </ul>
<b>4. Governance</b>	<p><b>Members</b></p> <ul style="list-style-type: none"> <li>▶ The Committee shall be appointed by the Board and its composition shall be reviewed at least every three years. It shall consist of not less than three members. Its members shall be non-executive directors and shall include the Chair of the Audit Committee</li> <li>▶ The Board shall appoint the Chair of the Committee on the recommendation of the People, Culture and Governance Committee.</li> </ul> <p><b>Quorum</b></p> <ul style="list-style-type: none"> <li>▶ Membership of the Risk Committee will consist of not less than 3 members; these members are referred to in Section 2. All members will be voting members.</li> <li>▶ A meeting quorum shall be any 2 members.</li> <li>▶ In the absence of the Chair (or an alternative chair nominated by the Chair in advance of a known absence at a particular meeting) the remaining members present shall elect one of themselves to the chair of that specific meeting.</li> <li>▶ The Chair and members may not be represented by an alternate delegate.</li> <li>▶ In any circumstance that majority agreement of any issue or matter cannot be reached then the matter will be referred to the Board.</li> </ul> <p><b>Attendees</b></p> <ul style="list-style-type: none"> <li>▶ The Company Secretary (or their nominee, to be agreed with the Chair of the Committee) shall be the secretary of the Committee.</li> <li>▶ Directors who are not members of the Committee can attend any meeting with the proviso that the Chair of the Committee can at any time nominate a meeting as being one at which they will not be present.</li> <li>▶ The Group Chief Executive, Chief Financial Officer, Chief Risk Officer, Chief Product Officer, Group Chief Operating Officer, Compliance &amp; Data Protection Officer and the Head of Internal Audit shall normally attend meetings. Other members of management may attend by invitation of the Committee.</li> <li>▶ A separate part of each meeting will normally be set aside for discussions between Committee members only. Each of the Chief Risk Officer, Compliance &amp; Data Protection Officer and the Chief Actuary shall have the right to meet the members of the Committee without executive directors present. The members of the Committee shall meet the Chief Risk Officer, Compliance &amp; Data Protection Officer and the Chief Actuary at least once per year without executive directors or other employees present to discuss their remit and any issues arising from the work carried out in the year.</li> </ul> <p><b>Frequency</b></p> <ul style="list-style-type: none"> <li>▶ The Committee will meet at least four times per year.</li> <li>▶ Papers are required to be sent to the Company Secretary no later than five working days before the meeting in order that all documentation to facilitate the Risk Committee can be sent to Members no later than four working days before the meeting. In exceptional circumstances papers may be distributed outside these timescales or tabled subject to the agreement of the Chair.</li> </ul>

	<p><b>Rights</b></p> <ul style="list-style-type: none"> <li>▶ The Committee may investigate any activity within its terms of reference. It may set priorities for the work of the Risk and Regulatory function. It may seek any information it requires from any employee and all employees should co-operate with its requests.</li> <li>▶ The Committee may obtain outside professional advice and, if necessary, invite external parties with relevant experience to attend meetings.</li> <li>▶ The Committee will be provided with appropriate and timely training, both in the form of an induction for new members and on an ongoing basis for all members.</li> <li>▶ The Chief Risk Officer, Compliance &amp; Data Protection Officer and the Chief Actuary shall have direct access to the Chair of the Board and the Chair of the Risk Committee.</li> </ul> <p><b>Committee Ownership</b></p> <ul style="list-style-type: none"> <li>▶ Any member of the Committee, the Chair of the Society or any two other directors may require a meeting of the Committee to be held. The Chief Risk Officer, Compliance &amp; Data Protection Officer or the Chief Actuary may also require a meeting of the Committee to be held.</li> <li>▶ The Chair of the Committee has responsibility for overseeing the performance of the Risk Committee. Support will be provided by the Company Secretary, who will be responsible for agenda collation, together with tracking and, where necessary, following up any actions arising.</li> <li>▶ The Company Secretary will also assist the Chair with any issues/changes arising as part of the Annual Review.</li> </ul>
<b>5. Inputs and Outputs</b>	<p>The following sections confirm the inputs and outputs of the Risk Committee meeting, which will be prepared and recorded in accordance with the Society's process current at that time.</p> <p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>▶ Minutes of Last Meeting</li> <li>▶ Actions Log/Matters Arising</li> <li>▶ Chief Risk Officer's Report</li> <li>▶ Compliance Officer's Report</li> <li>▶ Recommendations to the Risk Committee including proposed recommendations to the Board</li> <li>▶ Other items as required</li> </ul> <p><b>Outputs</b></p> <p>The Chair of the Committee shall report to the Board at regular intervals on the matters it has reviewed and shall make recommendations when requested or when they consider it to be appropriate.</p> <p>The secretary shall circulate minutes of the meetings of the Committee to all members of the Board and such other attendees of the meetings as the Chair of the Committee shall direct or, if no direction, as the secretary shall think fit.</p> <p>The output from the Risk Committee is the agreed Risk Committee Report and any agreed recommendations which are to be submitted to the Board.</p>
<b>6. Conflicts of Interest</b>	<ul style="list-style-type: none"> <li>▶ The Committee will maintain a log of conflicts of interest in relation to its members and where conflicts exist will ensure appropriate steps are taken to mitigate these conflicts.</li> </ul>
<b>7. Relationship With other Committees</b>	<ul style="list-style-type: none"> <li>▶ This committee has not delegated any responsibility to any Sub-Committee(s).</li> <li>▶ The Risk Committee will operate as a subsidiary committee of the Board. The Board delegates authority to the Group Chief Executive (CEO). The CEO delegates authority to the Executive. The Risk Committee will take input from the Executive e.g. reports relating to material risks. The Risk Committee will provide input to and make recommendations to the Board.</li> <li>▶ Should any matters need to be escalated by the Risk Committee e.g. matters outside remit/authority then they may be escalated to the Board for final decision.</li> </ul>

**8. Version Control**

Version	Forum/ Committee	Approval Date	Caveats	Next Review
1.0	Board	02/02/2012		30/09/2012
1.01	Board	28/09/2012		30/09/2013
1.02	Board	31/01/2013		30/09/2013
1.11	Board	21/03/2013		30/09/2013
1.20	Board	28/11/2013		30/09/2014
1.2	Board	01/05/2014		01/05/2015
1.3	Risk Committee	23/03/2015		01/04/2016
1.4	Board	28/01/2016		01/02/2017
1.5	Risk Committee	27/03/2017		01/04/2018
1.6	Risk Committee	26/03/2018		01/04/2019
1.7	Board	28/06/2018		01/06/2019
1.8	Risk Committee	24/06/2019		01/06/2020
1.9	Risk Committee	22/06/2020		01/06/2021
1.10	Risk Committee	28/06/2021		01/06/2022
1.11	Risk Committee	20/06/2022		01/06/2023
1.12	Board	27/07/2023		
1.13	Risk Committee	22/09/2023	Added Consumer Duty wording	31/07/2024
1.14	Risk Committee	19/06/2024	Annual review, minor amends	30/06/2025