

WESLEYAN

Terms of Reference Risk Committee

Prepared by: Company Secretary
Last Review Date March 2018

March 2018

Contents

1. Purpose	3
2. Membership	3
3. Committee Ownership.....	4
4. Delegated Authority.....	4
5. Key Responsibilities	5
5.1 Matters Reserved	5
5.2 Matters Delegated	6
6. Relationship with Other Committees	6
7. Escalation of Issues	7
8. Quorum / Decisions.....	7
9. Inputs / Output	7
9.1 Inputs	7
9.2 Outputs.....	8
10. Frequency of Meetings.....	8
11. Annual Review	8

1. Purpose

The Risk Committee is a sub-committee of the Board.

The purpose of the Risk Committee is to provide independent oversight of the group's risk management across all of its subsidiaries from the viewpoint of both the Estate and With Profits Policyholders.

This will be achieved through:

- reviewing the quality, independence and effectiveness of the group's Risk function and the group's Integrated Risk Management (IRM) framework;
- 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;
- reviewing the Own Risk and Solvency Assessment (ORSA) and the Risk Strategy Action Plan.

The Risk 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 and risk reporting. 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.

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.

The Committee is supported in discharging its responsibilities by the Wesleyan Bank Limited ("the Bank") Risk Committee, which has responsibility for assisting the Bank Board by undertaking similar responsibilities as set out in section 4 below in respect of the Bank.

2. Membership

Members

The Committee shall be appointed by the Board from time to time 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

The Board shall appoint the Chair of the Committee on the recommendation of the Nomination Committee.

Attendees

The Company Secretary shall be the secretary of the Committee.

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.

The Group Chief Executive, Chief Financial Officer, Chief Actuary, Chief Risk Officer and the Head of Corporate Audit shall normally attend meetings. Other members of management may attend by invitation of the Committee.

A separate part of each meeting will normally be set aside for discussions between Committee members only. Each of the Chief Risk 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 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.

Rights

The Committee may investigate any activity within its terms of reference. It may set priorities for the work of the Risk function. It may seek any information it requires from any employee and all employees should co-operate with its requests.

The Committee may obtain outside professional advice and, if necessary, invite outsiders with relevant experience to attend meetings.

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.

The Chief Risk Officer and the Chief Actuary shall have direct access to the Chair of the Board and the Chair of the Risk Committee.

3. Committee Ownership

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 or the Chief Actuary may also require a meeting of the Committee to be held.

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.

The Company Secretary will also assist the Chair with any issues/changes arising as part of the Annual Review.

4. Delegated Authority

The Board has delegated responsibility for independent oversight of the group's risk management to the Risk Committee.

The Risk Committee is supported by the Risk function. The Risk function will maintain their independence from first line management through their direct reporting line to the Risk Committee.

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.

5. Key Responsibilities

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.

5.1 Matters Reserved

Approve

- a) the 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;

Be responsible for

- b) considering any proposed changes to the IRM framework, including any proposed changes to risk appetite, and making recommendations to the Board;
- c) agreeing key risk strategies and key risk policies to be adopted by the group and recommending for approval by the Board;
- 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;
- e) reviewing and recommending to the Board for approval the statements to be included in the Annual Report concerning risk management;
- f) considering the outputs of Wesleyan Bank's Internal Capital Adequacy Assessment Process (ICAAP), and their implications for the group and making recommendations if necessary to the Board;
- g) considering the Society's Capital Plan in respect of risk and capital adequacy and making recommendations to the Board;
- h) 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;
- i) considering, significant new business initiatives/proposals, such as acquisitions or disposals from a risk viewpoint and make recommendations to the Board;
- j) agreeing on behalf of the Board the annual financial crime prevention report made by the group's Money Laundering Reporting Officer;
- k) providing input to the Remuneration Committee to ensure that risk is properly considered in the setting of remuneration;
- l) providing input to management on the appointment, performance and dismissal of the Chief Risk Officer and his/her remuneration;

Monitor

monitor the IRM framework and ensure its effectiveness, soundness and integrity;

Review and Challenge

- m) provide independent objective challenge, oversight and support of risk management activity and culture across the Society;
- n) review the approach, nature and scope of the work of the Risk function to ensure that it is acting effectively;
- o) review the structure and operation of the Risk function to ensure that it is adequately resourced and has appropriate standing within the group;
- p) 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 the risk profile within the investment funds, recommending changes to asset allocation ranges for consideration by the Board where required);
- q) 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; review reports that consider the identification, assessment and management of conflicts of interest across the group;
- r) review and assess the annual Risk function plan;
- s) 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;
- t) request and review reports on particular aspects of risk management (including Information Security and Business Continuity planning) as it considers appropriate;

Report

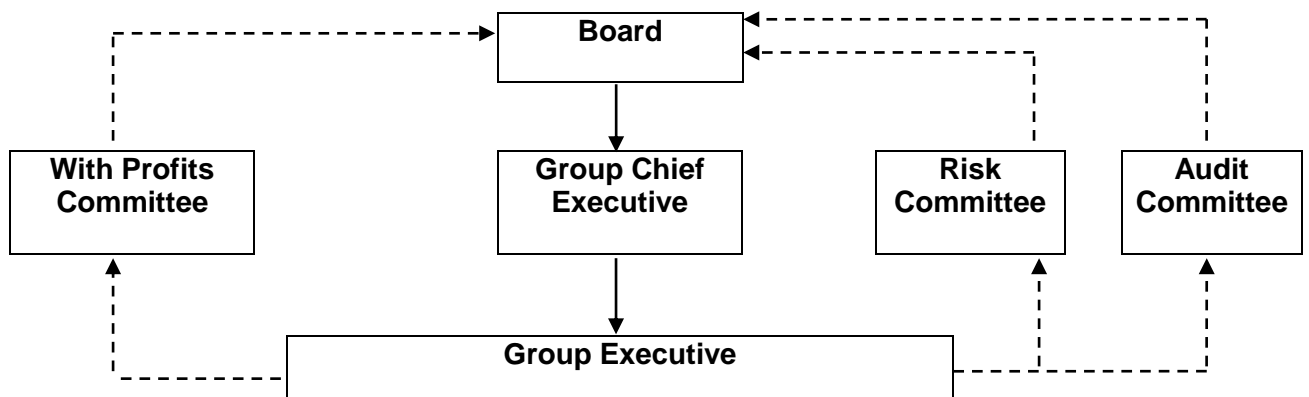
- u) report to the Board the outcome of the Risk Committee's monitoring and review activities and recommendations for approval where appropriate.

5.2 Matters Delegated

This committee has not delegated any responsibility to any Sub-Committee(s).

6. Relationship with Other Committees

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.



7. Escalation of Issues

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.

8. Quorum / Decisions

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.

A meeting quorum shall be any 2 members.

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.

The Chair and members may not be represented by an alternate delegate.

In any circumstance that majority agreement of any issue or matter cannot be reached then the matter will be referred to the Board.

9. Inputs / Output

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.

9.1 Inputs

- Minutes of Last Meeting
- Actions Log/Matters Arising
- Chief Risk Officer's Report

- Risk Report
- Recommendations to the Risk Committee including proposed recommendations to the Board
- Report from Bank Risk Committee on their activities
- Other items as required

9.2 Outputs

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 he/she considers it to be appropriate.

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.

The output from the Risk Committee is the agreed Risk Committee Report and any agreed recommendations which are to be submitted to the Board.

10. Frequency of Meetings

The Committee will meet at least four times per year.

Papers are required to be sent to the Company Secretary no later than three working days before the meeting in order that all documentation to facilitate the Risk Committee can be sent to Members no later than two days before the meeting. In exceptional circumstances papers may be distributed outside these timescales or tabled subject to the agreement of the Chair.

11. Annual Review

The Committee members shall undertake a review of the Committee's performance and these terms of reference annually and, if necessary, make recommendations to the Board for approval.

The outcome of the review and any revisions to the terms of reference will be presented to committee and sent to the Board for approval.