

## **The Veterinary Defence Society Limited**

### **Risk and Compliance Committee**

#### **Terms of Reference**

**Approved by the Board 22 July 2020**

#### **Purpose**

The Committee provides a forum for oversight of risk management and compliance functions across the Society, to ensure the effective operation of risk management policies, systems and documented procedures and other internal controls. The Committee assists and advises the Board in exercising its responsibilities:

- To ensure the Society has sufficient resources to meet its overall solvency needs considering its risk profile, approved risk tolerance limits and business strategy.
- For all aspects of the risk management and internal control frameworks.
- For all aspects connected with the current and future risk strategy

The Committee will coordinate its activities with the Society's Audit Committee, to avoid unnecessary duplication of work.

#### **Membership**

Members of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee and in consultation with the Chairman of the Risk and Compliance Committee. The Committee shall comprise a majority of independent non-executive directors and the Chief Executive. The Chairman of the Board shall not be a member of the Committee.

Only members of the Committee and the Chief Risk Officer ('the CRO' who undertakes Senior Insurance Management Function 4) have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Executive Directors or senior managers may be invited to attend all or part of any meeting as and when appropriate.

The Board shall appoint the Committee Chairman who shall be an independent Non- Executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

#### **Secretary**

The Company Secretary or their nominee shall act as the Secretary of the Committee.

## **Quorum**

The quorum necessary for the transaction of business shall be two members, one of which must be the Chairman of the committee. A duly convened meeting of the 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 Committee.

## **Frequency of Meetings**

The Committee shall meet at least three times a year at appropriate times in the regulatory and risk reporting cycle and otherwise as required. When possible, meetings will be held on the same day as the Society's Audit Committee and may be held in person, over the telephone or by technology enabled conference.

Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Society's governance, including the Chairman of the Board, the Chief Executive and the General Counsel and Company Secretary.

## **Notice of Meetings**

Meetings of the Committee shall be called by the Company Secretary at the request of any of its members if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the 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 Committee members and to other attendees as appropriate, at the same time.

## **Minutes of Meetings**

The Company Secretary shall minute the proceedings with resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

The Company Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Minutes of Committee meetings shall be circulated within 15 working days to all members of the Committee and Chairman of the Board and, once agreed, to all members of the Board, unless a conflict of interest exists.

## **Annual General Meeting**

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any member questions on the Committee's activities.

## **Reporting Structure**

The CRO shall report directly to the Committee.

The Committee will report directly to the Board via the Chairman of the Committee

The Committee may request any attendees to leave the meeting in order that the Committee members can discuss matters confidentially.

## **Duties**

The Committee has the following duties and responsibilities. In the exercise of such responsibilities, the Committee will, via its Chairman, seek the input of relevant members of the Executive Committee or Senior Management and will take advantage of the input and advice offered by the Audit Committee. The duties and responsibilities of the Committee shall extend to the Society's Irish branch office and, for the avoidance of doubt, the operations of the Irish branch office shall be included in the Society's overall Risk Management Framework.

## **Risk Management and Internal Controls**

The Committee shall:

1. Ensure the development and maintenance of an effective and well-integrated risk management system, capital management strategy and investment strategy.
2. Ensure that systems and processes are in place to enable existing and emerging risks to be identified, mitigated, monitored, and reported, and review the management actions required in response to changes in the risk profile.
3. Assist the Board to foster a culture within the Society that encourages good stewardship of risk and demonstrates the benefits of a risk-based approach to internal control and management of the Society
4. Review proposals in respect of overall risk appetite, tolerance and risk strategy, taking into account the Society's current risk profile and solvency position, covering as a minimum the following risk categories: Strategic, market, credit, operational, underwriting, liquidity, regulatory and emerging risks.
5. Oversee the Society's ORSA process, ensuring the regulatory reporting requirements of all risk related matters are fulfilled. In doing so the Committee shall;
  - Consider the method and assumptions used to prepare the Society's Solvency Capital Requirement and make recommendations to the Board.
  - Review the scenarios and stress tests, including the methodology adopted, that the Society uses to assess the adequacy of its capital and liquidity, and the reverse stress testing carried by the Society.
6. Have oversight of and challenge proposed strategic and material transactions including new ventures, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Society and taking independent external advice where appropriate and available.

7. In conjunction with the Audit Committee, review the effect on the Society's risk profile of the findings of any audits commissioned by the Audit Committee and follow up with management as appropriate.
8. Review reports from the Chief Risk Officer and or the Chief Executive, on any material breaches of risk limits and any recommendations on the adequacy of proposed action.
9. Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards
10. Oversee the implementation of the Society's Investment Strategy, ensuring that the Society's investment funds are managed in accordance with that strategy and providing assurance to the Board as required.
11. Keep under review the Society's relationship with the regulators.
12. Meet with the Chief Risk Officer at least once a year, without the presence of management.

## **Governance Arrangements and Regulatory Compliance**

The Committee shall:

Provide oversight of the Society's governance and regulatory compliance arrangements, and its related policies and procedures, and monitor their effectiveness

Keep under review developments and prospective changes in the regulatory environment

Keep under review developments in the Annotated Version of the U.K. Corporate Governance Code and monitor the Society's compliance with the Code's principles and guidance.

## **Compliance Oversight**

The Committee shall:

Review and approve the remit of the compliance function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions

Review and approve the annual Compliance Plan and monitor progress against the plan

Review compliance reporting to ensure it is appropriate.

Review and monitor management's responsiveness to the findings and recommendations of compliance monitoring reports and ensure that the agreed actions are put into effect

Review the Society's summary complaints reports to identify any systemic problems or material breaches of compliance

Receive reports from the Society's Anti Money-Laundering Officer, who shall report directly to the Committee on anti-money laundering matters.

Oversee the effectiveness of the Society's anti- money laundering processes.

### **Other Matters**

The Committee shall:

Have access to sufficient resources to carry out its duties, including access to the Society's Company Secretary for assistance as required

Consider and make recommendations on any other issues as requested by the Board

At least once a year, 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 Board for approval.

### **Authority**

The Committee is authorised:

To seek any information, it requires from any employee of the Society to perform its duties.

To obtain, at the Society's expense and via the Company Secretary, outside legal or other professional advice on any matter within its Terms of Reference.

**Cecilia M Gannon**  
**General Counsel and Company Secretary**  
**22 July 2020**