

# RISK COMMITTEE TERMS OF REFERENCE

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## THE BRITISH UNITED PROVIDENT ASSOCIATION LIMITED

### RISK COMMITTEE

#### Terms of Reference

#### 1. Constitution and Role

The Committee's current Terms of Reference were reviewed and adopted by a resolution of the Board on 6 December 2023.

These Terms of Reference set out the authorities and responsibilities delegated to the Committee by the Board.

The purpose of the Committee is to provide oversight of the principal and emerging risks for the Group and its risk management systems.

#### 2. Membership and Secretary

##### 2.1 Composition

The Committee shall comprise at least three members, all of whom shall be Independent Non-Executive Directors, and include the Chair of the Audit Committee and, if possible, a member of the Remuneration Committee. The Chair of the Board shall not be a member of the Committee.

The Committee Chair and its members shall be appointed by the Board, on the recommendation of its Nomination & Governance Committee, and (in respect of members) in consultation with the Risk Committee Chair.

##### 2.2 Chair

In the absence of the Committee Chair, the members present at any meeting of the Committee shall elect one of their number to chair the meeting.

##### 2.3 Disclosure of interests

Each member of the Committee shall disclose to the Committee:

- (i) the nature of any direct or indirect, actual or potential, interest in any proposed transaction or arrangement with the Company; and
- (ii) any direct or indirect, actual or potential, conflict with the interests of the Company arising in relation to any business of the Committee.

Any such member shall abstain from voting on resolutions that relate to such an interest or conflict. They shall also recuse themselves from all discussions on such matter, unless otherwise authorised by the Board.

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### 2.4 **Secretary**

The Group Company Secretary or their nominee shall be Secretary to the Committee.

## 3. **Meetings**

### 3.1 **Frequency and duration**

At least four meetings shall be held annually, with any additional meetings to be agreed by the Committee Chair. Meetings shall be of suitable duration to allow full discussion of the matters required.

### 3.2 **Quorum**

The quorum for meetings of the Committee shall be two members present throughout the meeting, in person or by electronic means.

### 3.3 **Notice**

Notice of each meeting confirming the date, time and venue shall be circulated by the Secretary to all members of the Committee and to other attendees (if appropriate) as far in advance as possible.

### 3.4 **Meeting papers**

Papers for each meeting shall be circulated by the Secretary to all members of the Committee and to other attendees (if appropriate) at least five working days before a meeting.

### 3.5 **Attendance**

Only the Chair and members of the Committee are entitled to be present at meetings of the Committee.

The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, the Group Chief Audit Officer, and the external auditor will be invited to attend meetings on a regular basis.

The Committee may invite other person(s) to attend all or part of any meeting when it considers appropriate.

### 3.6 **Minutes**

The Secretary shall produce minutes of each Committee meeting within ten working days of the meeting and circulate them to the Committee Chair for review. Minutes should be presented to the following meeting for Committee review and approval as a true and accurate record of the meeting.

## 4. **Duties and responsibilities**

The Committee shall:

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### 4.1 Risk Management

(i) **Risk Appetite, Tolerance and Risk**

Annually review Bupa's risk appetite, tolerance and strategy, considering the current and prospective macroeconomic, financial, clinical and regulatory environment and its principal and emerging risks, and:

- (a) evaluate and advise the Board on whether Bupa's overall risk strategy, appetite and tolerance aligns to Bupa's stated purpose and values and the principal and emerging risks it is willing to take in order to achieve its long-term strategic objectives;
- (b) consider Bupa's capability to identify and manage new types of risks; and
- (c) review, and provide an opinion to the Board on, any matters and activities that are, or are likely to take Bupa, outside its risk appetite.

(ii) **Risk Management Systems**

At least annually review the effectiveness of Bupa's Risk Appetite Framework, System of Governance and Risk Management Framework to ensure they appropriately define, manage and/or mitigate the principal and emerging risks that could impact the Group's business model, (future) performance, operations, solvency, liquidity, business continuity or reputation, and ensure compliance with its relevant legal and regulatory obligations.

Approve material changes to Bupa's Risk Appetite Framework, System of Governance & Risk Management Framework.

(iii) **Enterprise Risk Policies**

Oversee the suite of enterprise risk policies and approve, or recommend for approval by the Board, as set out in the 'Matters Reserved for the Board', any changes to these policies.

### 4.2 Risk Monitoring

(i) **Risk Profile**

Oversee Bupa's current principal and emerging risk exposures and any impact to its strategy and objectives, the continued viability of its business model, solvency and liquidity.

(ii) **Risk Performance and Reporting**

Assess the adequacy and effectiveness of Bupa's processes, procedures and risk reporting to identify and manage principal and emerging risks including, but not limited to, financial, regulatory, clinical and operational risks.

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- (iii) **Incident Oversight**  
Oversee management of material incidents, breaches in limits, or breakdowns in operational controls including IT infrastructure.  
  
Assess the adequacy of remedial actions and that appropriate mechanisms are in place to swiftly escalate material risk events or concerns to the Committee.
- (iv) **Regulation and Compliance**  
Consider and review:
  - (a) compliance with applicable laws and regulation;
  - (b) relationships with regulatory authorities in relevant jurisdictions and developments in the regulatory environment; and
  - (c) approve the annual compliance programme.
- (v) **Risk culture**  
Consider and periodically report to the Board on, the Group's values, culture and reward systems for managing risks, and the extent to which the culture and values are embedded at all levels.

### 4.3 Insurance Programme

Approve the insurance programme and the overall levels of insurance for the Group including Directors' & Officers' liability insurance and indemnification of directors.

### 4.4 Stress Testing

Satisfy itself that risks to Bupa's business plan and any capital implications are adequately identified and assessed by management through appropriate stress testing and that mitigating actions are implemented.

Agree the stress testing plan and review the outcomes of the annual stress and scenario testing programme.

### 4.5 Risk Capital

Review the methodology and assumptions for determining economic and regulatory capital requirements, ensuring that the assumptions and calibrations used reflect Bupa's forward-looking risk profile.

Review and recommend to the Board for approval the Bupa Own Risk and Solvency Assessment report.

### 4.6 Strategic Risks

Review and advise the Board on any potential risk considerations in respect of management propositions to undertake any of the following, prior to their commencement:

- (i) commencing (including by way of acquisition) any new business activities or products which represents a material new risk(s), or

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which materially elevates a current risk(s), and which are not carried on to a material extent by any Group entity anywhere in the world;

- (ii) commencing (including by way of acquisition) a business activity or product in a new country, territory and/or market, irrespective of whether such business activities or products are currently conducted elsewhere, unless a review of the risks of operating the relevant activity or product in that country, territory and/or market was undertaken by the Committee within the last three years and there have been no material changes during that period;
- (iii) undertaking material offshoring operations in new countries;
- (iv) entering into material (over £100m) mergers and acquisitions, joint ventures and strategic partnerships, or increasing exposure above this threshold in respect of existing arrangements;
- (v) any decision to cease to operate and/or divest all or any material (£100m or more) part of Bupa's business or activities;
- (vi) significant changes to financial risk mitigation strategies; and
- (vii) any other material changes in strategy, or in any other circumstances recommended by the CRO.

### 4.7 Risk Function

- (i) **Group Chief Risk Officer**
  - (a) Approve the appointment and removal of the Group Chief Risk Officer and monitor their effectiveness and independence.
  - (b) Ensure the Group Chief Risk Officer has direct access to the Committee Chair and members, and they have direct access to the Group Chief Risk Officer.
  - (c) At least once a year, and at any other times as the Committee shall see fit, meet separately with the Group Chief Risk Officer without management present.
- (ii) **Remit and Performance of the Risk Function**

Review the independence, and the adequacy, remit performance and effectiveness, of the Risk and Compliance Functions, including their interactions with the first and third line.

### 4.8 Committee performance review

At least once a year, review its own performance and composition to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

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### 4.9 **Terms of Reference**

Annually review the Terms of Reference of the Committee, and the Committee's compliance with them, to ensure they remain appropriate and fit for purpose and recommend any changes considered necessary or desirable to the Board for approval.

### 4.10 **Liaison with other Committees and the Board**

Liaise as necessary with the Board and other Board Committees and regularly review its interactions.

In particular, taking account of the impact of risk management and internal controls on the work of other committees:

- (i) work with the Remuneration Committee to ensure that risk is properly considered in setting the overall remuneration policy and that the remuneration arrangements of the Executive Directors and Senior Executives promote ethical behaviour and align with Bupa's risk appetite and conduct expectations. Provide advice on any risk weightings to be applied to performance objectives to the extent applicable and make any recommendations on any malus and clawback provisions.
- (ii) advise the Board Sustainability Committee on emerging and new risks, or material changes to current risks, related to sustainability and environmental, social and governance matters.
- (iii) work with the Board Audit Committee on risk-related matters and disclosures to be provided externally, including in the Annual Report.

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective Committee Chairs shall have discretion to agree the most appropriate committee to fulfil any obligation. Notwithstanding paragraph 6.3, an obligation under these Terms of Reference, or of another committee of the Board, will be deemed by the Board to have been fulfilled provided it is dealt with by any Board Committee or by the Board itself.

### 4.11 **Liaison with Subsidiary Company Risk Committees**

Work and liaise as necessary with major subsidiary company risk committees and, to the extent appropriate, any advisory committee or similar body with non-executive members which has been established to oversee the operations of subsidiaries.

### 4.12 **Other matters**

Consider any other matters referred to the Committee by the Board.

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### 5. Reporting Responsibilities

#### 5.1 The Board

The Committee Chair (or a Committee member nominated by the Committee Chair) shall report to the Board on the proceedings of each Committee meeting on all matters within its duties and responsibilities and make any recommendations to the Board on any area within its remit where it considers any action or improvement is needed.

#### 5.2 Annual Report and accounts

Review and endorse to the Board Audit Committee, for inclusion in the Company's Annual Report:

- (i) the content of the Committee's report describing its activities; and
- (ii) in conjunction with the Board Audit Committee in a joint meeting, any risk-related disclosures, including but not limited to, the narrative on, and effectiveness of principal and emerging risks, risk management systems, and Bupa's risk appetite, tolerance and strategy.

#### 5.3 AGM

The Chair of the Committee shall attend the Company's Annual General Meeting and be available to respond to any questions on the Committee's activities and areas of responsibility.

### 6. Authorities

#### 6.1 Resources and support

The Committee shall be provided with sufficient resources to undertake its duties, including appropriate and timely training as required, and have access to the services of the Secretary and the Group Chief Risk Officer on all Committee matters.

The Committee is authorised to seek any information it requires from any Group employee to perform its duties and will advise the Group Chief Executive Officer if it has exercised this authority to seek information (other than routine information) from any employee, setting out the information required and the circumstances underlying the request.

#### 6.2 Investigation and advice

The Committee is authorised by the Board to investigate any activity within its Terms of Reference and to intervene if the Committee considers it appropriate and if the Board instructs it to do so. The Committee is also authorised to obtain independent legal or other professional advice on any matter within its Terms of Reference, at the Company's expense, as it considers this necessary. The Committee shall consult with the Board Chair before any fees are agreed.

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### 6.3 **Delegation**

The Committee may delegate any actions in support of its function to a competent person, providing the terms of the delegation are documented in the Committee's records, but it may not its duties and responsibilities relating to the oversight of the Risk and Compliance Function nor its accountability for its duties and responsibilities.

## 7. **Definitions**

**Board** means the Board of Directors of the Company.

**Bupa/Company** means The British United Provident Association Limited.

**Group** means the Company and its subsidiary companies.

**Committee** means the Risk Committee of the Board.

**Directors** means Directors of the Company.

**Independent Non-Executive Directors** means Directors who have been appointed to the Board of the Company as a Non-Executive Director and are deemed independent of the Company in accordance with the UK Corporate Governance Code and Companies Act 2005 (as amended from time to time).