

## **FINANCIAL SERVICES COMPENSATION SCHEME**

### **TERMS OF REFERENCE**

#### **RISK COMMITTEE**

##### ***Membership and Attendance***

1. Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least three independent non-executive directors, one of whom shall be appointed by the Board as the Committee Chairman. One member (but not the Committee Chairman) shall be the Chairman of the Audit Committee.
2. The Committee may invite other individuals to attend meetings as appropriate and necessary, and the Chief Executive and the Head of Risk are expected to attend all meetings at the Committee's invitation.

##### ***Role and Duties***

3. The role of the Committee is to recommend to the Board a risk appetite/tolerance statement covering enterprise wide risks and to review FSCS's risk management approach to identifying and managing risks to the achievement of FSCS' aims, including (without limitation) the Scheme's contingencies planning arrangements and disaster recovery plans, in order to advise the Board on whether the Scheme is operating within acceptable risk tolerances and whether its level of readiness to respond to significant events is appropriate to the likelihood and impact of those events.
4. To this end, the Committee will:
  - (a) advise the Board on the Scheme's tolerance of risk and risk appetite, recognising that, as a Scheme of last resort, FSCS is bound to respond to financial failures giving rise to eligible claims for compensation;
  - (b) oversee and advise the Board on current risk exposures and their relationship to agreed tolerances;
  - (c) consider the Scheme's preparedness to respond to future contingencies, including major failures, and whether the level of preparedness is appropriate to the likelihood and impact of the various eventualities;

- (d) consider and advise on arrangements for testing the organisation's contingencies arrangements and plans, including relations with the Financial Conduct Authority, Bank of England / Prudential Regulation Authority and HM Treasury and the scope for practising implementation of the plans alongside FSCS's principal partners;
- (e) review the Scheme's arrangements for disaster recovery and whether those arrangements are proportionate to potential threats to the continuous delivery of the Scheme's aims;
- (f) review the risks to the Scheme's adherence to its obligations under relevant laws;
- (g) keep under review the Scheme's overall approach to identifying and managing risks, including its capability to identify and manage new risks, and approve any risk policy;
- (h) consider and approve the remit of the Scheme's risk management function and ensure that it is able to operate effectively and independently, with adequate resources and access to information to meet relevant professional standards;
- (i) review reports on any material breaches of the Scheme's risk tolerances and the adequacy of the actions proposed to re-establish compliance with those tolerances;
- (j) receive and review reports from the Head of Risk who shall have a right of direct access to the Chair of the Committee;
- (k) review and approve statements to be included in the Annual Report or provided to partner bodies about risk management in the Scheme;
- (l) take responsibility for risk disclosure in the FSCS Annual Report and Accounts;
- (m) support the Chief Executive and Head of Risk in improving the standards and maturity of risk management, including by setting a timetable for improvement;

and advise the Board as appropriate.

### ***Authority***

5. The Committee is authorised by the Board to:
  - (a) carry out its review and decision-making functions within its terms of reference;
  - (b) seek any information it requires from any employee of the company in order to perform its duties; and
  - (c) obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference.

### ***Meetings***

6. The Committee shall meet at least three times a year, dates of meetings being notified by the Company Secretary as and when arranged.
7. The Company Secretary, or their nominee, shall act as the secretary of the Committee, and shall minute the proceedings and resolutions of all Committee meetings. Minutes of Committee meetings shall be circulated to Committee members for approval.
8. The quorum necessary for the transaction of business shall be two members. 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.
9. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.

### ***Reporting Responsibilities***

10. The Committee Chairman or their nominee shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities. Minutes of Committee meetings shall be circulated to all members of the Board, unless a conflict of interest exists.
11. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed.

12. The Committee shall prepare risk reports from time to time as required by the Board.
13. The Committee shall ensure that an appropriate statement of its activities is made in the company's Annual Report.

**Other**

14. The Committee or the Board (as agreed from time to time) shall evaluate the performance of the Committee on an annual basis.
15. The Committee shall review and update its terms of reference from time to time and receive approval of changes from the Board.

*Last reviewed - 7 December 2018*