

North of England Protecting & Indemnity Association Limited ("North")

Group Risk Committee (the "Committee") – Terms of Reference

1. Constitution

- 1.1. The Committee was established by the North Directors upon and subject to these terms of reference.
- 1.2. Unless the context otherwise requires, words or expressions contained in these Terms of Reference shall bear the same meaning as in North's Articles of Association, as amended from time to time.
- 1.3. The Committee shall give effect to any changes required by the North Directors to be made to its constitution and/or terms of reference as and when directed by the North Directors.

2. Membership & Chairman

- 2.1. The Committee shall consist of a minimum of three North Directors. The majority of Committee members shall be non-executive directors.
- 2.2. Committee members shall be appointed by the North Directors from amongst candidates recommended by the Group Nominations Committee.
- 2.3. Removal of Committee Members, including the Chairman of the Committee, shall (in circumstances other than those set out in 2.4 and 2.5 below) be effected by resolution of the North Directors.
- 2.4. A Committee member may terminate their membership of the Committee at any time by giving written notice to the chairman of the Committee.
- 2.5. The appointment of a Committee member shall immediately terminate upon that Committee member ceasing to be a North Director.
- 2.6. The chairman of the Committee shall be a non-executive director and shall be appointed by the Directors, subject to regulatory approval, from amongst the Committee members.
- 2.7. The Company Secretary shall be the secretary of the Committee.

3. Committee Meetings

- 3.1. The quorum necessary for the transaction of business at a Committee meeting shall be two Committee members one of whom shall be a Member Director.
- 3.2. The Committee shall ensure that regular Committee meetings are held each year in accordance with the timetable and standing agenda requirements set out in the Appendix to these Terms of Reference and shall hold such further meetings as may be required from time to time to discharge its duties effectively.

3.3. Meetings of the Committee shall be called by the Secretary at the request of any of its members on not less than 10 working days' notice provided always that the Committee may, by unanimous agreement, meet upon shorter notice.

3.4. The following persons shall normally attend Committee meetings:

3.4.1. the Executive Directors;

3.4.2. the Director (Risk and Compliance).

But other Group employees and external advisors may be invited to attend all or part of any meetings as and when appropriate.

3.5. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.

3.6. If a matter to be considered by the Committee is one where a member of the Committee either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

3.7. Except on any matter on which he has a personal interest, in the event of an equality of votes on any matter, the chairman of the Committee will have a second or casting vote.

4. Authority

4.1. The Committee is concerned with the business of the entire Group and its authority extends to all companies in the Group. It is authorised to investigate any activity within its terms of reference and to seek any information it requires from any employee of the Group and all Group employees are directed to co-operate with any request made by the Committee.

4.2. The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of non-Committee members with relevant experience and expertise if it considers this necessary. The costs incurred (which shall be reasonable) shall be notified to the Chairman of North.

4.3. In order to facilitate the effectiveness of the Group's risk management framework, the Committee may delegate authority to the Director (Risk and Compliance) authorising him to approve changes to the Group's risk management controls and reporting triggers but only to the extent such changes will enhance existing controls or reporting triggers.

4.4. The Chairman of the Committee is authorised to set the Committee's Timetable and Standing Agenda.

5. Duties

5.1. The duties of the Committee shall be to:

5.1.1. oversee the integration and operation of risk management, compliance and actuarial functions across the Group;

- 5.1.2. review and approve the Group's risk management, compliance and actuarial functions framework documentation and related policies and procedures;
- 5.1.3. review the risk appetite of the Group as determined from time to time by the North Directors and make recommendations to the North Directors in relation to the Group's risk management framework to ensure it is aligned to the Group's strategic objectives;
- 5.1.4. oversee the production and maintenance of Risk Registers for each company in the Group;
- 5.1.5. review the risk profiles for North, Sunderland Marine and the regulatory Group against their respective risk appetites;
- 5.1.6. review the Group's risk management framework including the Group's Risk Registers and the controls contained therein to ensure their adequacy and effectiveness in managing the risk profile of the Group;
- 5.1.7. monitor Group risk reporting and set appropriate risk reporting triggers;
- 5.1.8. review risk reporting exceptions where reporting triggers have been exceeded and the mitigating actions proposed by management to address those reporting exceptions to ensure their adequacy and effectiveness;
- 5.1.9. receive regular capital monitoring reports and review the outputs of the Group's regulatory capital assessment processes to satisfy itself that the regulatory capital assessments are appropriate and are being monitored;
- 5.1.10. review the stress tests and reverse stress tests of the Group, assess the adequacy and effectiveness of the tests in benchmarking the capital assessment of the Group and determine any actions which need to be taken in light of the results;
- 5.1.11. assess the appropriateness of Group risk management controls;
- 5.1.12. monitor UK investment risk of the Group;
- 5.1.13. with specific reference to investment risk monitor the Group's compliance with:
 - 5.1.13.1 all Group approved statements of risk appetite, risk registers and risk limits;
 - 5.1.13.2 each Group entity's solvency and regulatory capital requirements;
 - 5.1.13.3 all applicable regulatory requirements (including but not limited to counterparty/concentration risk requirements);
 - 5.1.13.4 the Group's strategic objectives, including but not limited to those related to the credit ratings of any Group entity; and
 - 5.1.13.5 any applicable regulatory requirements concerning the credit ratings of investment counterparties as well as the Group's appointed bankers.

- 5.1.14. ensure that in implementing an investment decision consideration is given to the impact on:
 - 5.1.16.1 each Group risk register valuation and in doing so have regard to any risk limits set in respect of such risk register valuation;
 - 5.1.16.2 the credit ratings of the Group and individual Group companies and in doing so have regard to the Group's strategic objectives in respect thereof; and
 - 5.1.16.3 the regulatory capital requirements in respect of the Group and individual Group companies.
- 5.1.15. consult with and receive reports, information and recommendations from other boards and committees within the Group as required to enable the Committee to perform its duties in relation to the Group;
- 5.1.16. monitor the Group's relationship and standing with its regulators;
- 5.1.17. review the outcomes of regulatory assessments and the response of the Group; and
- 5.1.18. review Group regulatory breaches and consider what amended or additional controls are required to mitigate the risk of such breaches recurring;
- 5.1.19. review and assess on an annual basis the adequacy and effectiveness of the Group's policies, procedures and controls in respect of illegal acts including whistleblowing, fraud, money laundering and bribery.
- 5.2. The Committee shall carry out all or any of the duties referred to in paragraph 5.1 in relation to any Group company as appropriate.
- 5.3. In carrying out its duties, the Committee shall give due consideration to all applicable laws and regulations.

6. Reporting Procedures

- 6.1. The chairman of the Committee shall report to the North Directors upon the activities of the Committee at each North Directors Meeting.
- 6.2. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Committee and to other North and Sunderland Marine Directors on request.