

# Risk Committee Terms of Reference

7 December 2023

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## **1. Membership**

- 1.1 The committee shall comprise at least three directors. The committee shall include at least one member of the audit committee. Members shall have appropriate knowledge, skills and expertise to fully understand risk appetite and strategy. The committee as a whole shall have competence relevant to the sector in which the company operates.
- 1.2 Appointments to the committee are made by the board on the recommendation of the Nomination, Governance and Remuneration Committee in consultation with the chair of the committee and shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided the member still meets the criteria for membership of the committee.
- 1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chair, CEO, CRO and external advisers or other individuals may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.4 The board shall appoint the committee chair. In the absence of the committee chair, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the board.

## **2. Secretary**

- 2.1. The company secretary, or their nominee, shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## **3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be three.

## **4. Frequency of meetings**

- 4.1. The committee shall meet at least three times a year and otherwise as required.

## **5. Notice of meetings**

- 5.1. Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members.
- 5.2. 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.

## **6. Minutes of meetings**

- 6.1. The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.
- 6.2. Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be made available to all other members of the board and the company secretary unless, exceptionally, it would be inappropriate to do so.

## **7. Conflicts of Interest**

- 7.1. It is each member's responsibility to disclose any interests that could constitute an actual or perceived conflict of interest and, in such circumstances, they may absent themselves from voting. If the Chair decides in consultation with the other members (if necessary) that a member has an actual or perceived conflict of interest, the Chair may determine that the member absent themselves from a particular committee business and/or that a recommendation should be made to the board that such member be removed as a member. Any decision of the Chair (and/or of the board) shall be final and binding.

## **8. Engagement with Owners**

- 8.1. The committee chair should attend the Annual Owners Meeting to answer any questions on the committee's activities.

## **9. Duties**

- 9.1. The committee should carry out the duties below for the PIDG Ltd and the Group as a whole, as appropriate.

The committee shall (unless required otherwise by regulation):

- 9.2. Advise the board on the PIDG Group's overall risk appetite, tolerance and risk management strategy on an aggregated basis as well as by PIDG Company, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities.
- 9.3. Oversee and advise the board on the current risk exposures of the PIDG Group and future risk strategy.

- 9.4. Working with the Investment Committee, advise the board on the efficient and productive allocation of capital within the PIDG Group, and monitor the use of capital by EAIF and GuarantCo to ensure that it is optimally allocated to meet any applicable regulatory and risk requirements and benchmarks.
- 9.5. Advise the board on the PIDG Group's asset and liability management and treasury risk management processes and limits.
- 9.6. Recommend to the board the risk framework and risk policies that will apply to the PIDG Group and PIDG companies. Assess the risk culture and conduct of the PIDG Group.
- 9.7. In relation to risk assessment and subject to overlap with the Audit Committee:
  - a) Keep under review the PIDG Group's overall risk assessment processes that inform the board's decision-making, ensuring both qualitative and quantitative metrics are used;
  - b) Review regularly and approve the parameters used in these measures and the methodology adopted;
  - c) Set a standard for the accurate and timely monitoring of large exposures and certain risk-types of material significance to the performance of the PIDG Group; and
  - d) Assess each PIDG company's compliance against established policies, e.g. the PIDG OPP's, on at least an annual basis.
- 9.8. In relation to the portfolio review:
  - a) Monitor portfolio risk, including concentration risk, credit risk, market risk and HSES risk. This will include reviewing credit information and minutes of meetings of any relevant committees of PIDG Ltd or board of PIDG companies or its committees, such as the EAIF-Ninety One and GMC credit committees;
  - b) Review any deteriorations in the portfolio and, if necessary, refer these to the PIDG Credit Committee.
- 9.9. In relation to the new product review:
  - a) Make recommendations, including requiring further due diligence or referring proposals to other committees; or
  - b) Approve proposed new products.
- 9.10. Review the PIDG Group's capability to identify and manage new risk-types in conjunction with the Audit Committee.
- 9.11. Before a decision to proceed is taken by the board, advise the board on proposed strategic transactions (from a risk perspective) or any complex or novel initiatives, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the PIDG Group, and taking independent external advice where appropriate and available.
- 9.12. Review reports on any material breaches of risk limits and the adequacy of proposed action.
- 9.13. Review and monitor compliance with Group level IT security, business continuity and incident management plans, ensuring the adequacy of the PIDG companies plans.

- 9.14. On behalf of the board, carry out a robust assessment of the PIDG Group's emerging and principal risks and provide a statement for inclusion in the annual report that the board has completed this assessment, providing a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are managed or mitigated.
- 9.15. Subject to overlap with the Audit Committee, keep under review the effectiveness of the PIDG Group's internal financial controls and internal controls and risk management systems and review and approve the statements to be included in the annual report and accounts concerning internal controls and risk management.
- 9.16. Review regular reports from the CRO in respect of the adequacy and effectiveness of the PIDG Group's anti-money laundering systems and controls.
- 9.17. Review regular reports from the CRO and keep under review the adequacy and effectiveness of the PIDG Group's risk and compliance function.
- 9.18. Review the market risk exposure of the PIDG companies in aggregate against policy limits and appetite.
- 9.19. Support PIDG Ltd Audit Committee's oversight over the prevention of fraud and bribery.
- 9.20. Consider and approve the remit of the risk management function and whether 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. The committee shall also monitor whether the function has adequate independence.
- 9.21. Provide input into the appointment and/or removal of the CRO.
- 9.22. Determine the nature, scope, format and frequency of the information to be provided by the CRO on risk strategy and risk management. Review promptly all reports on the PIDG Group from the CRO.
- 9.23. Review and monitor management's responsiveness to the findings and recommendations of the CRO.
- 9.24. Ensure the CRO shall be given the right of unfettered direct access to the committee chair and to the committee.
- 9.25. Work and liaise as necessary with all other board committees to ensure the necessary exchange of information to capture all relevant risk for the performance of their tasks.
- 9.26. As and when requested by the board, provide quantitative and qualitative feedback to the board on risk elements of PIDG executives' performance objectives.
- 9.27. Give due consideration to laws and regulations, the provisions of the Code and any other applicable rules, as appropriate.
- 9.28. Carry out such other duties as may be delegated to it by the board from time to time.

## **10. Reporting responsibilities**

- 10.1. The committee chair shall report to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.

- 10.2. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed, and that adequate time should be made available for board discussion when necessary.
- 10.3. The committee shall compile a report of its activities to be included in the company's annual report, describing the work of the committee.

## **11. Other matters**

The committee shall:

- 11.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.
- 11.2. Be provided by PIDG Ltd with appropriate funding to obtain advice and assistance from internal or external legal, accounting, or other advisors at PIDG Ltd's expense, without the prior approval of the board up to a maximum cost of £10,000.
- 11.3. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 11.4. Give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code and associated guidance and any other applicable rules, as appropriate.
- 11.5. Oversee any investigation of activities which are within its terms of reference.
- 11.6. Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- 11.7. Ensure that a periodic evaluation of the committee's own performance is carried out.
- 11.8. At least annually, review the committee's terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

## **12. Authority**

The committee is authorised to:

- 12.1. Seek any information it requires from any employee of the company in order to perform its duties.
- 12.2. Call any employee to be questioned at a meeting of the committee as and when required.
- 12.3. Delegate any matter or matters to another committee or person(s) as it deems appropriate.
- 12.4. Publish in the PIDG Ltd's Annual Report details of any issues that cannot be resolved between the committee and the board.