



## **RISK COMMITTEE**

### **TERMS OF REFERENCE FOR 2013/14**

<b>Reference:</b>	FR042
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<b>Issue/Revised Date:</b>	July 2013
<b>Review Date:</b>	April 2014
<b>Screened By:</b>	General Counsel & Company Secretary
<b>Approved By:</b>	Risk Committee and NIW Board
<b>Distribution:</b>	Board Executive Committee Source (Intranet) NIW Website

# **RISK COMMITTEE**

## **TERMS OF REFERENCE FOR 2013/14**

### **Terms of Reference**

Reference to the "Company" shall mean Northern Ireland Water Limited

Reference to the "Committee" shall mean Risk Committee

Reference to the "Board" shall mean the full Board of Directors of the Company

Reference to an "Executive Director" shall mean an Executive Director of the Company

Reference to a "Non-Executive Director" shall mean a Non-Executive Director of the Company

Reference to the "Chair" shall mean the person who chairs the Committee meeting.

### **1. Authority**

1.1 Subject to any restrictions imposed by law or by the Board, the Committee is authorised to seek any information it requires from any employee of the Company (or agency staff, contractor or agent) in order to perform its duties.

1.2 The Committee shall be entitled to call any employee of the Company to be present at a meeting of the Committee as and when required.

1.3 The Committee is authorised to obtain, at the Company's expense and after consultation with the Chief Executive, outside legal or other professional advice on any matters within its terms of reference.

1.4 The Committee shall be entitled to sub-delegate all or any of the powers and authorities delegated to it as it deems appropriate.

### **2. Organisation**

#### Membership

2.1 The Committee shall be appointed by the Board.

2.2 The Committee shall comprise of at least 2 non-executive directors of the Company who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgment.

2.3 The Committee Chair shall be a Non Executive Director. In the absence of the Committee Chair the other Non-Executive Director present shall chair the meeting. The Director of Finance & Regulation, as the Executive sponsor, shall be appointed to the Committee to coordinate the Committee's activities.

- 2.4 The Committee may ask the Chairman of the Board, the CEO, the Director of Customer Services Delivery, the Head of Corporate Governance as Chief Risk Officer and any relevant Director or senior manager to attend meetings either regularly or by invitation.

#### Secretary

- 2.5 The Secretary of the Committee shall be the Company Secretary or his nominee.

#### Frequency of Meetings

- 2.6 The Committee shall meet as and when required and at least 4 times a year.

#### Notice of Meetings

- 2.7 Meetings of the Committee shall be called by the Chair of the Committee.
- 2.8 The quorum of the meeting is a minimum of two, both must be Non-Executive Directors.
- 2.9 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agreed list of items to be discussed and supporting papers, where required, shall be sent to each member of the Committee and any other person required to attend, no fewer than 5 working days prior to the date of the meeting.

#### Minutes of Meetings

- 2.10 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording names of those present and in attendance.
- 2.11 The Chair of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and arrange to minute them accordingly. This shall be a standing item on each agenda.
- 2.12 Minutes of the Committee meetings shall be circulated to all members of the Committee and to the Chair and all members of the Board.

### **3 Duties**

The Committee shall

- 3.1 Advise the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective political and financial environment.

- 3.2 Oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- 3.3 In relation to risk assessment –
  - 3.3.1 keep under review the company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
  - 3.3.2 review regularly and approve the parameters used in these measures and the methodology adopted;
  - 3.3.3 set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance; and
  - 3.3.4 review the Company's capability to identify and manage new risks.
- 3.4 Where specifically requested by the Board, advise the Board on proposed strategic transactions focusing in particular on risk aspects and implications for the risk appetite and tolerance of the company, and taking independent external advice where appropriate and available.
- 3.5 Evaluate whether management is setting the appropriate 'risk culture' by promoting the importance of the management of risks and its associated controls throughout the Company.
- 3.6 Keep under review the effectiveness of the Company's risk management systems and associated controls and describe the work of the Committee in the annual report.
- 3.7 Where specifically requested, to provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
- 3.8 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.
- 3.9 Meet separately with the Head of Corporate Governance to discuss any matters that the Committee believe should be discussed in private.
- 3.10 Review promptly all escalated risk management reports from the Head of Corporate Governance.
- 3.11 Review and monitor management's responsiveness to the findings and recommendations of the Head of Corporate Governance.
- 3.12 The Head of Corporate Governance shall be given the right of direct access to the Chairman of the Board and to the Committee.

3.13 Review internal and external risk assurance reports and its implementation.

#### **4. Reporting Responsibilities**

4.1 The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

4.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

4.3 The Committee shall hold a joint meeting with the Audit Committee, to consider at least annually, the effectiveness of the Company's risk management systems and its associated controls so as to enable the Audit Committee to report to the Board on the Statement on Internal Control (SIC).

4.4 The Committee shall make a statement in the Company's annual report about its activities during the relevant period.

#### **5. Other**

5.1 The Committee shall, 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.