



# Board Risk Committee Charter

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OFFICIAL

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## 1. Introduction

The Board Risk Committee (the Committee) is a committee of the Board of Insurance and Care NSW (icare).

This Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

## 2. Objective

The objective of the Committee is to provide independent assistance to the Board by performing an oversight function in the areas of the enterprise risk management framework.

The Committee provides oversight for all icare scheme funds' investment performance, including monitoring of stewardship outcomes and provides an oversight of investment strategies for the Workers Compensation Insurance Fund, Home Building Compensation Fund and Sporting Injuries Fund.

The Committee sponsors the promotion of a positive risk culture where employees are empowered to and can feel safe reporting risk incidents and issues, even when they have unintentionally contributed to them.

## 3. Authority

All decisions in relation to the functions of icare are to be made by or under the authority of the Board. The Board may authorise the Committee to make decisions on behalf of the Board in relation to certain matters. In this case, a decision made by the Committee is taken to be a decision made by the Board. The Board will review decisions made by the Committee and, at its discretion, may overturn, amend or refer the decision back to the Committee for further consideration.

The Board authorises the Committee, within the scope of its responsibilities, to perform the activities identified in this Charter. To meet its obligations the Board authorises the Committee to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with an external auditor or other external parties (subject to confidentiality considerations);
- request the attendance of any employee at Committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice by icare is subject to the prior approval of the Chair of the Committee.

The Committee's authority covers icare and the entities on whose behalf icare acts or provides services to and includes the Workers Compensation Nominal Insurer, NSW Self Insurance Corporation, Lifetime Care and Support Authority of NSW, Workers Compensation (Dust Diseases) Authority and the Sporting Injuries Compensation Authority.

## 4. Responsibilities

The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities, which may be revised in consultation with, or as requested by, the Board from time to time. In carrying out its responsibilities, the Committee shall at all times recognise that primary responsibility for oversight of the management of icare rests with the Board.

In fulfilling their responsibilities, all Committee members are bound to act honestly, fairly, and in accordance with the law, icare's values and icare's Code of Conduct and Ethics.

The Committee's responsibilities are set out below.

### 4.1 Risk Management

- Review whether management has in place a current and appropriate risk management framework that is consistent with AS ISO 31000:2018, and the operational structure of icare facilitates effective risk management.
- Assess and advise on the maturity of icare's risk management framework and risk culture.
- Consider the adequacy and effectiveness of the internal control and risk management frameworks by reviewing reports from management, and other sources, and by monitoring management responses and actions to correct any noted deficiencies.
- Review the impact of icare's risk management on its control environment and insurance arrangements.
- Periodically review icare's fraud and corruption control framework including the fraud control plan and be satisfied that icare has appropriate processes and systems in place to capture and effectively investigate fraud related information.
- Seek assurance from management that emerging risks (including, but not limited to, climate risk and cyber risk) are being identified and addressed.
- Seek assurance from management that risk management processes are operating effectively, including that relevant internal control policies and procedures are in place and that these are periodically reviewed and updated.
- Review whether a sound and effective approach has been followed in developing risk management plans for major projects, programs or undertakings.
- Review whether a sound and effective approach has been followed in establishing icare's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.
- Advise the Board on icare's overall current and future risks and set the risk appetite within which it expects management to operate.
- Where Risk Acceptance is selected for a risk outside of risk appetite, the Risk Acceptance is to be approved by the Committee (for a period of time that the Committee deems reasonable but no longer than 12 months).
- Oversee an organisation-wide view of icare's current and future risk position relative to its risk appetite and capital strength.

- Assist the Board to form a view of the risk culture of icare, and the extent to which that culture supports the ability of icare to operate consistently within its risk appetite, identify any desirable changes to the risk culture, and ensure that icare takes steps to address those changes.
- Hold senior management to account for the monitoring and management of all material risks consistent with the strategic objectives, risk appetite and policies approved by the Board (including oversight of management's implementation of the Risk Management Framework).
- Constructively challenge management's proposals and decisions on all aspects of risk management arising from icare's activities.
- Ensure policies and processes are developed for risk-taking that are consistent with the Risk Management Framework, Risk Management Policy and the established risk appetite statement.
- Assess the overall effectiveness and evaluate the performance of icare's Group Executive Risk and Governance (or equivalent role) and ensuring the Group Executive Risk and Governance has unfettered access to the Board and the Committee; and oversight of the appointment and removal of the Group Executive Risk and Governance.
- Ensure sufficient resources are dedicated to risk management.
- Recognise uncertainties, limitations and assumptions attached to the measurement of each material risk.
- Ensure that the appropriateness, effectiveness and adequacy of icare's risk management framework is subject to a comprehensive review by operationally independent, appropriately trained and competent persons (this may include external consultants) at least every three years. The results of this review must be reported to the Committee.
- Oversee icare's financial risks specific to:
  - each Scheme's financial risks outlined in the Financial Condition Report;
  - the effectiveness of the Capital Management Policy and escalate material matters to the Board as necessary;
  - to oversee all icare scheme funds' investment performance; and
  - actuarial (insurance ) risk oversight.

## 4.2 Compliance and Ethics

- Determine whether management has appropriately considered legal and compliance risks as part of icare's risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring icare's compliance with applicable laws, regulations and associated government policies.
- Seek assurance that the appropriate exercise of delegations is monitored and reviewed.
- Seek assurance that changes in key laws, regulations, internal policies and Accounting Standards affecting icare's operations are being monitored at least once a year, and appropriately addressed.
- Review the process for communicating the code of conduct to staff and seek assurance as to compliance with the code.
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.



- Ensure compliance with Board and Committee resolutions and external legislative requirements in relation to the investment portfolio.
- Ensure investment of money in NSW Self Insurance Corporation Scheme Funds and investment strategies for icare Funds comply with *NSW Self Insurance Corporation Act 2004* and the *State Insurance and Care Governance Act 2015* respectively.

### 4.3 Investment Strategy

The Committee will report its activities to the Board and make recommendations to the Board for icare Funds that are not invested in the OneFund. The Committee and the Board are not responsible for investment strategy, returns and governance for investments in the OneFund.

The Committee will:

- Conduct a review of the governance architecture and any foundational documents of the Investment Strategy for icare Funds that are not invested in the OneFund as often as deemed necessary but no less than once every two years. The Investment Strategy may include, but is not limited to, the following documents:
  - Statement of Investment Beliefs;
  - Investment Risk Appetite Statement;
  - Investment Policy Statement; and
  - the overarching Investment Strategy for all icare Funds.
- Endorse for recommendation to the Board the Investment Strategy, or any material changes to the Investment Strategy for icare Funds that are not invested in the OneFund, where required, following a review.
- Approve minor changes to the Investment Strategy for icare Funds that are not invested in the OneFund, where required, following a review.
- Endorse for recommendation to the Board investment policies, investment objectives and risk tolerances for each icare Fund (other than the NSW Self Insurance Corporation Scheme Funds or icare Funds invested in the OneFund), taking into account the Investment Strategy, icare's broader business objectives, operating environment as well as the financial markets and trends.
- Endorse for recommendation to the Board the following agreements and any material changes to those agreements:
  - Master Financial Services Agreement between icare and TCorp; and
  - Memorandum of Understanding between icare and NSW Treasury.
- Approve the implementation mechanism for each asset class or portfolio construction approach if investing directly in a mandate with investment managers.
- Approve investments in TCorp Investment Management Fund or other implementation mechanism and the underlying strategy that TCorp is intending to use within the icare scheme portfolio.

It is noted that for the NSW Self Insurance Corporation Scheme Funds and icare Funds invested in the OneFund, icare has responsibility for notifying NSW Treasury and TCorp of any significant changes to the liabilities and cash flow profile of the Self Insurance Fund.

## 4.4 Scheme Funds not invested in the OneFund

For the investments of any icare scheme fund not invested in the OneFund, the Committee will:

- approve the appropriate external investment performance benchmarks for asset classes or managers, where applicable;
- ensure appropriate stress testing and scenario analysis of investment funds is undertaken;
- monitor performance of investments including performance of individual asset classes against budget, performance of individual asset classes against appropriate external performance benchmarks, performance of investment holdings against investment objectives and performance of investment managers;
- monitor and review the relationship with and performance of TCorp through the Master Financial Services Agreement;
- monitor TCorp's compliance with its responsibilities as detailed under the Master Financial Services Agreement between the entities;
- monitor the investment performance of the NSW Self Insurance Corporation Scheme Funds as detailed under the MoU between the entities and provide investment performance information to NSW Treasury (and ALCO) when requested;
- approve the fees applicable to the mandated investment manager; and
- approve any performance reporting of the icare Funds required to be submitted to the Minister, as required.

## 4.5 Relationship with NSW TCorp

TCorp implements the Investment Strategy determined by icare in relation to icare Funds that are not invested in OneFund.

The mandated services comprise of:

- Investment Management Services;
- Advisory Services;
- Custody Services; and
- Any other services agreed between the parties.

For icare investments in the OneFund, TCorp implements and manages OneFund in accordance with the Risk Appetite Statement and the Investment Strategy as notified to TCorp by the Treasurer or the Secretary of Treasury.

icare has responsibility for notifying NSW Treasury and TCorp of any significant changes to the liabilities and cash flow profile of the Self Insurance Funds invested in the OneFund.

## 4.6 Policies

Approve all policies delegated to the Committee for approval under the Policy Governance Framework and otherwise review and recommend all other relevant policies to the Board which require Board approval.

For NSW Self Insurance Corporation Scheme Funds that are not invested in the OneFund, approve investments in the TCorp Investment Management Fund or other implementation mechanism and the underlying strategy that TCorp is intending to use within the icare scheme portfolio.

## 5. Responsibilities of Committee members

Members of the Committee are expected to understand and observe the requirements of NSW Treasury's TPP 20-08 Internal Audit and Risk Management Policy for the General Government Sector (TPP 20-08) the Risk Management Framework, and, to the extent relevant to icare, the Australian Prudential Regulation Authority's Consolidated Prudential Standard (CPS) 220: *Risk Management*. Members are also expected to:

- make themselves available as required to attend and participate in meetings;
- contribute the time needed to study and understand the papers provided;
- apply good analytical skills, objectivity and good judgement;
- abide by the relevant ethical codes that apply to employment within the General Government Sector, including the icare values and icare's Code of Conduct and Ethics; and
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

## 6. Composition and Tenure

The Committee will consist of at least three, and no more than five members, appointed by the Board. At least three members must be Directors of the Board. Additional members need not be Directors of the Board. All members must also be members of the Board Audit Committee (BAC). Where relevant, one member of each of the other Board Committees should have representation on the Committee. The Board will appoint the Chair. The Chair is counted as one member of the Committee.

Members will be appointed for an initial term of no less than three years (which may be terminated earlier by mutual agreement) and not exceeding five years, after which they will be eligible for extension or re-appointment for a further term(s) subject to a formal review of their performance (noting that the total term on the Committee will not exceed eight years).

The Chair must be a member of the Board and the BAC but cannot be the Chair of the Board or the BAC. The Chair will be appointed for one term only for a period of at least three years with a maximum period of five years (which may be terminated earlier by mutual agreement). The term of appointment for the Chair can be extended but any extension shall not cause the total term to exceed five years.

The Chair and members of the Committee should be selected in accordance with the NSW Treasury *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members, Scheme Guidelines*. All committee members including the Chair must be independent as defined in TPP 20-08. Current employees of all NSW government sector agencies, other than State Owned Corporations, cannot serve as members or as Chair of the Committee.



Committee members should collectively develop, possess and maintain a broad range of skills and experience relevant to the operations, governance and financial management of icare, the environment in which icare operates and the contribution that the Committee makes to the organisation. At least one member of the Committee shall have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

At least one Committee member will have a detailed understanding of contemporary risk management frameworks, as provided for in TPP 20-08 and comparable risk management frameworks mandated by Australian financial services regulators and the International Standards Organisation.

The Chief Executive cannot be a member of the Committee but, unless other arrangements are made with respect to any meeting, or part of a meeting, either the Chief Executive or their delegate has a standing invitation to attend Committee meetings.

### **Induction**

New Committee members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

## **7. Disclosures of Interest and Management of Conflicts of Interest**

To ensure the appropriate management of any actual, potential or perceived conflict of interest, the Committee and its members will comply with the policies and procedures outlined in the icare Board Charter (Section 11).

Details of any disclosure of interest are to be minuted and included in the Register of Directors' Interests which is tabled at the Committee meeting.

Where the Chief Executive, senior management of icare or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from Committee deliberations on the issue where a conflict of interest exists.

## **8. Conduct of Committee Meetings**

### **8.1 Frequency of meetings**

The Committee will meet at least four times per year, and more regularly if required. The dates of the meetings will be determined 12 months in advance. Members can attend in person, by telephone or by video conference. All attendees are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.

The Chair is required to call a meeting if requested to do so by the Board or another Committee member.

A Governance Calendar of recurring agenda items which are required to come before the Committee in any one year will be developed and provided at the first meeting of the calendar year.

## 8.2 Circular resolutions

The Committee may, if it thinks fit, transact any of its business by the circulation of papers among all members. A resolution approved in writing (including by email confirmation) by a majority of those members is taken to be a decision of the Committee.

Circular resolutions are commonly used for non-contentious and routine matters that need to be dealt with between Committee meetings or to formalise a course of action where there has been extensive and robust discussion at a prior Committee meeting. They should not be used for matters that require extensive presentations by management or discussion among members.

Circular resolutions require a quorum of members and the resolutions will be included as a paper for noting at the next meeting.

## 8.3 Quorum of Meetings

A quorum will consist of a majority of Committee members and must include at least two Directors. All decisions of the Committee must be agreed by a minimum of two Directors. Where agreement cannot be reached by the minimum of two Directors, the Chair may escalate the matter to the Board to make the decision.

The Chair or person presiding at a meeting of the Committee has a deliberative vote and, in the event of an equality of votes, has a second or casting vote.

## 8.4 Conduct of Meetings

Meetings will be formally structured, held in appropriate facilities with timely notice, agendas and supporting papers and minutes of prior meetings distributed sufficiently in advance. Where possible, papers will be distributed electronically via a secure system. Matters will be debated openly and constructively amongst the Committee members.

## 8.5 Attendance at meetings

The Committee may request that other persons attend meetings or participate for certain agenda items. In this respect, the Committee will have free and unfettered access to the Group Executive Team, including but not limited to the Group Executive Finance, Group Executive Risk and Governance, General Manager Actuarial Services (Chief Actuary), external valuation actuaries, external auditors, General Manager Internal Audit, General Manager Risk and Compliance, General Counsel and any other parties (internal or external) required by the Committee to fulfil its role. Where Committee members seek direct access to any of these parties to discuss substantive matters, Committee members should advise the Chair of the Committee and the Chief Executive.

The Chair of the Board may attend the meetings of the Committee. The Committee members can hold private sessions as required separately with any of the senior management of icare, including but not limited to the Chief Executive, Group Executive Finance, Group Executive Risk and Governance, General Manager Actuarial Services (Chief Actuary), General Counsel, external actuaries, external auditors, General Manager, Internal Audit<sup>1</sup> and General Managers in Risk and Governance without other management personnel being present.

## 8.6 Leave of absence

If the Chair is absent from a meeting and no acting Chair has been appointed, the Committee members present may choose one of them to act as Chair for that meeting.

## 9. Secretariat

The Head of Board Governance or their delegate will provide secretariat support to the Committee. The Head of Board Governance or their delegate will ensure the agenda for each meeting and supporting papers are circulated at least one week before the meeting and ensure the minutes of the meetings are prepared and maintained.

Draft minutes of each meeting will be prepared and provided to the Chair for review within 10 working days of the meeting. A further draft incorporating any changes made by the Chair will be circulated to the Committee for approval at the following meeting.

The Committee is to confirm the minutes of its meetings. The confirmed minutes are to be kept safe as an official record of the Committee's resolutions.

## 10. Access to Independent Advice, Information and Records

Each member is entitled to have free and full access to all Committee records (including but not limited to minutes, papers, agendas, tabled documents and presentations) created during their term(s) as a member.

Committee members will at all times have free and unfettered access to advisors and access to resources and information the Committee considers relevant to its responsibilities. The Committee may seek independent professional advice, at icare's expense, if it is considered necessary for the proper performance of the Committee's responsibilities. The Chair of the Committee and the Chief Executive will facilitate the procurement of any such advice.

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<sup>1</sup> Equivalent to the Chief Audit Executive.

## 11. Reporting

The Committee's meeting minutes will be made available to the Board, and the Committee will, through its Chair, regularly update and make recommendations to the Board on matters falling within the scope of its roles and responsibilities. As part of this reporting, the Board will be made aware of matters before the Committee that may materially impact the financial condition or affairs of icare, including the entities it manages.

The Committee will also report to the Board, at least once a year, on its operations and activities during the year, including:

- an overall assessment of icare's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting icare;
- a summary of the work performed by the Committee to fully discharge its responsibilities during the preceding year (this can be done in the form of verbal update by the Committee Chair at the following Board meeting); and
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings attended by each member.

The Committee may, at any time, report to the Board any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Board.

## 12. Dispute Resolution

Members of the Committee and icare's management should maintain an effective working relationship and seek to resolve differences by way of open discussion. However, in the event of a disagreement between the Committee and management, the Chair may, as a last resort, refer the matter to Board.

## 13. Assessment Arrangements

The Committee, in consultation with the Chair of the Board, is to assess its performance annually including the performance of the Committee Chair and each Committee member. The assessment activities may include but are not limited to, surveys, one-to-one feedback sessions with the Chair and Committee members, and discussions with appropriate input sought from the Group Executive Risk and Governance (or equivalent role), management and any other relevant stakeholders. This may form part of the Board's evaluation assessment of the Board and all other Committees. The Committee is committed to supporting a culture of continuous improvement in its performance, collectively and individually.

## 14. Charter Review

This Charter is to be reviewed biennially (including consultation with the Chair of the Board) to ensure that it remains consistent with the Board's and Committee's objectives and responsibilities. Any substantive changes to this Charter will be agreed by the Committee and recommended for approval to the icare Board.

**Board Governance**

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