

BOARD RISK COMMITTEE TERMS OF REFERENCE

1. Authority

The Board has established a committee to be known as the Board Risk Committee ("BRC") to assist it in fulfilling its oversight responsibilities for risk management and oversight across the Society. The BRC has the delegated authority of the Board in respect of the functions and powers set out in these Terms of Reference and is authorised by the Board to obtain, at the Society's expense, external legal or other professional advice on any matters within its Terms of Reference.

2. Purpose

The role of the BRC is to:

- Provide oversight and advice to the Board in relation to current and potential future risk exposures of the Society and future risk strategy, including determination of risk appetite and tolerance and the effectiveness of the Society's framework for managing risk;
- Promote a risk culture that 'Puts Members First' within the Society and to oversee implementation and maintenance of the Enterprise Risk Management Framework ("ERMF");
- Review key risk policies and frameworks including risk appetite statements;
- Ensure the Executive are held to account in ensuring risks are identified, assessed and managed effectively in accordance with the requirements of the ERMF; and
- Monitor risks on behalf of the Board.

3. Meetings and membership

Chair	The BRC will be chaired by a Non-Executive Director (other than the Chair of the Board) as appointed from time to time by the Board.
Membership	The BRC will comprise the BRC Chair, the Chair of the Audit Committee and two other Non-Executive Directors. The Committee may operate with a vacancy. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations & Governance Committee.
Attendance	The Chief Executive, Chief Financial Officer, Chief Risk Officer and the Chief Customer Officer will attend meetings of the Committee. In addition the Principal Risk Owners will attend meetings of the Committee where applicable. Any other employee of the Society may be asked to attend meetings as required. Directors (both Executive and Non-Executive) who are not members or regular attendees of the Committee may also attend meetings if they so wish.
Frequency	The BRC will meet six times a year as a minimum and otherwise as required. The Chair of the Committee may convene meetings of the Committee at any time to consider any matters falling within these Terms of Reference.
Quorum	Meetings of the BRC will be quorate if there are present at least three BRC members. If the Chair of the Committee is absent the remaining members shall elect one of their number to chair the meeting. 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.
Secretary	The Society Secretary or their nominee will be secretary to the BRC.
Meeting Preparation	The Secretary shall draft the agenda for each meeting and provide this to the Chair of the Committee for approval in advance of the meeting. The Secretary shall collate and circulate the papers to members and attendees at least seven calendar days prior to the meeting.

Minutes Formal minutes of the meetings of the BRC will be taken and circulated to members and other regular attendees for the relevant meeting. A summary of each meeting will be made available to the Board of Directors in the month following the meeting. The Committee Chair will be available at the Society's AGM to answer questions from members falling within the Committee's remit.

4. Duties

The Committee shall have the following responsibilities:

4.1. Risk Appetite

- 4.1.1. Consider annually and recommend for approval by the Board proposals in respect of the Society's risk appetite and limits for risk categories, ensuring that the risk appetite is aligned with the Strategic Plan, capital and risk stress testing framework and the Principal Risks that the Society faces;
- 4.1.2. Review the Society's credit risk appetite statement semi-annually and if thought fit, recommend changes to the Board in line with relevant regulatory guidance.

4.2. Enterprise Risk Management Framework

- 4.2.1 Periodically review and consider any changes to the ERMF, ensuring these are consistent with the Society's risk strategy and risk appetite and recommend the ERMF for approval by the Board;
- 4.2.2 Consider and approve an assessment of which risk categories should be deemed Principal Risks as defined in the ERMF; and
- 4.2.3 Seek assurance that the ERMF is implemented with appropriate reporting regimes for each of the Society's Principal Risks including management's response to breaches of risk appetite as detailed in the ERMF.

4.3 Risk Control Policies

4.3.1 Consider and approve the following policies and frameworks relating to key risk categories:

- Treasury and Prudential Policy Statement;*
- Funds Transfer Pricing Framework;
- Operational Risk Policy;
- Operational Resilience Framework;
- Lending Policy Statement*;
- Conduct Risk Framework;
- Financial Crime Risk Management Policy;
- Anti-Money Laundering Risk Management Policy;
- Model Risk Framework;
- Outsourcing and Third Party Risk Management Policy;
- Climate Risk Policy; and
- Resolution Assessment Framework.*

The items marked * are subsequently recommended for approval by the Board after review by the Committee.

4.4 Capital and Liquidity

- 4.4.1 Review scenario assumptions for inclusion in business planning, receive the results of stress and scenario analysis, and assess whether the proposed mitigation measures are sufficient to manage the risk exposure within the Board's risk appetite; and
- 4.4.2 Review and recommend for approval to the Board the Society's Internal Capital Adequacy Assessment Process; Individual Liquidity Adequacy Assessment Process; the Recovery Plan; and the Resolution Assessment Framework

4.5 Monitoring Risk on behalf of the Board

- 4.5.1 Review reports from the Chief Risk Officer and management, including reports on any material breaches of risk appetite, and consider the adequacy of proposed actions arising from such breaches. The Committee should ensure that actual or likely material breaches of risk appetite are notified to the Board promptly;
- 4.5.2 Challenge and approve progress of the plans to mitigate each of the principal current and emerging risk exposures, ensuring that management are exercising appropriate control to reduce the likelihood of risk crystallisation resulting in financial loss, reputational damage or regulatory concern or adverse outcomes for the Society's members;
- 4.5.3 Identify and assess emerging risks, including risks raised by regulatory change and those risks within the remit of other Board Committees;
- 4.5.4 Receive reports on the risk position in relation to the Society's major IT and Change programmes;
- 4.5.5 Receive reports on Material Risk Events including lessons learned from such Material Risk Events;
- 4.5.6 Review the Society's operational resilience strategy and its delivery;
- 4.5.7 Review and oversee the activities undertaken by the Society to respond to the financial risks arising from climate change; and
- 4.5.8 Receive reports on the appropriateness of the Society's values and culture and reward systems for managing risk and internal controls, and review the extent to which the culture and values are embedded at all levels of the Society.
- 4.5.9 Receive reports on the Society's performance against its Consumer Duty obligations, including review of the annual Board outcomes report.

4.6 Risk Function

- 4.6.1 The Chief Risk Officer's formal reporting line is to the Chief Executive. However, the Chief Risk Officer also has a reporting line to the Committee through the Committee Chair in respect of matters referenced in these Terms of Reference;
- 4.6.2 The Committee will assess the effectiveness of the Society's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the Society's Annual Report and Accounts; The monitoring and review should cover all material controls, including financial, operational and compliance controls. This process will also incorporate an assessment by the 1st line of the adequacy and effectiveness of the control environment, including the results of the control testing undertaken by the first line;
- 4.6.3 Receive reports on the performance and independence of (i) the compliance function and (ii) the risk function to ensure such functions can discharge their responsibilities effectively; and
- 4.6.4 The Committee will satisfy itself that the Risk Function is adequately resourced, has appropriate access to information and is independent from management or other restrictions so as to be able to perform its function effectively.

4.7 Remuneration

- 4.7.1 Provide advice to the Remuneration Committee such that performance objectives do not drive excessive risk taking and that reward decisions take account of risk management performance.

4.8 Regulatory Oversight

- 4.8.1 Review, on behalf of the Board, if requested, key risk-related FCA and PRA correspondence and ensure that management's responses to such communications are appropriate, consistent with the Society's risk appetite;
and
- 4.8.2 Review updates on the management of financial risks arising from climate change.

4.9 Oversight of Outsourcing and Third Party Risk Management

- 4.9.1 Receive, on behalf of the Board, periodic updates on outsourcing and third party risk management, which detail how relevant regulatory requirements have been complied with;
- 4.9.2 Review and challenge the Society's arrangements for outsourcing and third party risk management by:
 - 4.9.2.1 Setting the risk appetite and tolerance levels in respect of the Society's outsourcing and third party arrangements;
 - 4.9.2.2 Receiving periodic updates which identify the Society's reliance on critical service providers to enable the Committee to derive an understanding of this topic; and
 - 4.9.2.3 Reviewing the risk management systems in place to deal with outsourced service providers to enable a determination by the Committee that they remain appropriate and effective for the Society.

4.10 Reporting and Disclosures

- 4.10.1 The Committee shall compile a report detailing how it discharged its responsibilities for inclusion in the Society's Annual Report & Accounts, including a description of the significant issues dealt with by the Committee and other matters required to be disclosed under the UK Corporate Governance Code.

4.11 Performance Review

- 4.11.1 Arrange annual assessments of Committee effectiveness including a review of whether the BRC's annual cycle of activity remains appropriate to the Society's needs and report the output of this activity to the Board; and
- 4.11.2 Review these Terms of Reference annually and recommend any changes to the Board for approval.

These Terms of Reference were approved by the Committee at its meeting on 23 January 2024 and by the Board at its meeting on 24 January 2024.