

TERMS OF REFERENCE – BOARD RISK COMMITTEE

1. Composition: The Committee shall comprise of a minimum of three NEDs.
2. Chairman: The Committee Chairman shall be elected by the Board and shall not be the Chairman of the Board or the Chairman of the Audit Committee.
3. Quorum: The quorum necessary for the transaction of business shall be the Committee Chairman and one other member of the Committee.
4. Attendees:
Chief Executive
Group Secretary (Committee Secretary)
Finance Director
Chief Risk Officer

Other persons may be invited to attend all or part of any meetings as and when required at the invitation of the Committee Chairman.
5. Frequency of Meetings: At least four times a year, the dates of which are agreed in advance.
6. Notices of Meetings: Meetings of the Committee shall be convened by the Committee Secretary at the request of the Chairman of the Committee if he or she considers a meeting necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting together with an agenda of the items to be discussed shall be forwarded to each member of the committee and any other person required to attend no later than 5 working days prior to the meeting. Any supporting papers shall normally be circulated at the same time and in any event no later than 2 working days before the meeting.

At least quarterly the CRO may request a meeting with the Committee or its chairman if he or she feels that one is necessary.
7. Meeting Minutes: Minutes of all Committee meetings will be taken by the Committee Secretary. Draft minutes shall be circulated to all members of the Committee and once approved shall be presented to the next Board Meeting by the Committee Chairman.
8. Principal Objectives: Provide the Board with independent assurance that the Group is operating specifically in accordance with its agreed SS20/15 permissions for credit and treasury risk management and generally such that the outcomes in all aspects of its activities are aligned with their respective risk appetites, against a background of embedded risk awareness throughout the Group.

Oversee the development, implementation and maintenance of the Group's overall risk management framework and its risk appetite, strategy, principles and policies, to ensure they are appropriate and proportionate and in line with industry best practice.
9. Duties and Matters to be Considered: Review the respective risk appetites for the various activities of the to Group ahead of their submission to the Board for approval.

Review and challenge the assumptions underpinning the strategy and corporate plan. Review strategic risks to the plan and make recommendations to the Board as appropriate.

Review actual and forecast adherence to Board and SS20/15 limits.

Review proposed changes to the Lending and Treasury Policy Statements ahead of their submission to the Board for approval.

Review proposed changes to the Group Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment Process (ILAAP) documents ahead of their submission to the Board for approval.

Review the risk registers, high level risk events, report on financial crime incidents, and consider the effectiveness of the controls in operation.

Review the scope of Risk Oversight annual plan, engagement with management, issues identified as a result of its work, how management is addressing these issues and the effectiveness of risk management systems.

Assess the adequacy of the level of resources within the Risk and Compliance function and its effectiveness in meeting its own terms of reference.

Review whether prices of liabilities and assets offered to clients take fully into account the Society's business model and strategy.

Present a remedy plan to the Board where prices do not properly reflect risks in accordance with the business model and risk strategy.

Review the principal stress scenarios for the Society's ICAAP, ILAAP and RP and the reverse stress test outcomes.

Issues relating to Compliance, Conduct and AML activities, and consideration of the effectiveness of the controls in operation.

Review the minutes of meetings of the Executive Risk Committee and any matters arising.

Provide advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in the incentive structure for the Executive.

10. Advice & Support:

The Committee may seek such expert advice and support as it deems necessary to meet its responsibilities effectively.

The Committee shall have regard to any relevant advice from the Board and any other relevant Committee concerning the effectiveness of its current framework.

Members of the Committee shall have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Society.

11. Other Matters:

The Committee shall arrange for periodic reviews of its own performance and at least annually, review its constitution and terms of reference to ensure it is operating to maximum efficiency and recommend any changes it considers necessary to the Board.

The Committee shall also review periodically the scope and content of

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any information provided and consider both the suitability and accuracy of such information.

Where the Committee is unable to meet to review any proposal prior to its submission to the Board, the Committee may refer the matter direct to the Board.