

## BOARD RISK COMMITTEE TERMS OF REFERENCE

**Purpose:** The Board Risk Committee (the “Committee”) is established by the Board of Directors (the “Board”) with delegation of relevant authority to provide oversight of current and emerging risks, ensuring sound risk management frameworks are in place, and to assist the Board in fulfilling its responsibilities relating to risk appetite, risk strategy, and effectiveness of internal control.

**Responsible:** Board Risk Committee Chair

**Reports To:** Board

**Composition:**

<b>Chair</b>	Independent Non-Executive Director appointed by the Board
<b>Members:</b>	Up to an additional three Non-Executive Directors appointed by the Board.
<b>Other attendees</b>	Chief Executive Officer Chief Financial Officer Chief Risk Officer Chief Operations Officer
<b>Minute Taker</b>	Executive Assistant

Others may attend at the invitation of the Committee Chair. There is a standing invitation to:

- Head of Member Experience,
- Head of IT.

## **Membership**

The Committee will comprise up to four members, all of which must be Non-Executive Board Members.

Members of the Committee shall be appointed annually by the Board, following a recommendation from the People & Culture Committee, who will also nominate the Chair of the Committee. The Chair of the Board cannot be Chair of the Risk Committee but may attend on invitation from the Board Risk Committee Chair

Only members of the Committee have the right to attend Committee meetings. However other individuals may be invited to attend all or part of any meeting as and when appropriate or necessary.

In the absence of the Committee Chair one of the attending Non-Executive members shall chair the meeting.

## **Quorum**

The quorum necessary for the transaction of business shall be three members; at least one of which must have recent and relevant risk experience.

## **Frequency of meetings**

The Committee will normally meet four times a year, to a Schedule agreed with the Board, and otherwise as circumstances dictate.

## **Notice of meetings**

Meetings of the Committee shall be called by the Chair in accordance with the Board agreed schedule. Additional meetings may be called by any member of the Committee if they consider it necessary.

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, any other person required to attend and all other non-executive directors, no later than three days before the date of the meeting. Supporting papers shall be made available to Committee members and other attendees as appropriate, at the same time.

## **Minutes of meetings**

Minutes of the proceedings, including decisions and conclusions will be prepared. These will include the names of those present and in attendance.

Draft minutes of the meetings will be circulated promptly to all members of the Committee. Once approved minutes will be circulated to all other members of the Board and will be formally approved at the next meeting by the Chair approving a Minute to that effect. signing the minutes.

## **Authority**

The Committee is authorised to:

- Obtain, at the Society's expense, outside independent legal or professional advice on any matter within its terms of reference.
- Seek any information it requires from any employee or director of the Society to perform its duties.
- Call any employee to attend a meeting of the Committee as and when required.

## **Duties & Responsibilities**

### **Risk Strategy and Appetite**

- Advise and recommend to the Board on the overall risk appetites, tolerances and risk strategy, taking account of the current prospective macroeconomic and financial environment drawing on financial stability assessments such as those published by the Bank of England, Regulators and other authoritative sources that may be relevant for the Society's Risk Policies.
- Ensure risk appetite remains aligned with the Board's corporate strategy.
- Monitor emerging risks and their potential impact on appetite and strategy.
- Advise and update the Board on the appropriateness of the Society's risk management culture.

### **Risk Management Framework:**

- Review the Society's capability to identify and manage new risk types.
- Review and recommend the Society's risk appetite for Board approval.

- Ensure that the appropriate resources are provided for the management of risk and that those responsible have access to the necessary information to enable them to perform their function effectively.
- Review the Society's risk register, specifically key movements in Primary Risk ratings and the sub risks or controls that impact the assessment.
- Review and approve all Principal Risk Policies and key sub-risk policies.
- Review the effectiveness of internal control and risk management systems.

#### **Oversight of Risk Areas:**

- Receive and consider all matters reported to them from the Chairs of the other Board sub-committees, the Executive Retail Credit Committee and the Executive ALCO as they relate to risk.
- Review reports from the CRO and other Executives regarding risk profiles and adequacy of the control environment.
- Ensure effective management of prudential risks, including liquidity and capital adequacy, assets and liabilities management and treasury activity.
- Provide oversight of stress testing, ICAAP, ILAAP, Recovery Plans and other regulatory submissions.
- Review stress/Scenario tests across the risk areas.
- Review reports of any material breaches of risk limits and the adequacy of proposed actions.
- Consider the adequacy of the Society's performance in relation to the management of risks; for example, via
  - Chair reports from Executive Committees
  - Risk dashboards
- Key Risk Indicator reports for each principal risk, including review and challenge of thresholds and management actions where breaches are reported. Specifically, regarding **Retail Credit Risk:**

- Regular review of level of arrears, trends and levels of early stage/forbearance cases, arrears position, including action being taken in each case.
- Approving all mortgage and further advance applications where the total aggregated lending will be in excess of £350,000 and provide approval where such application meets the Society's lending criteria and onward referral to the Board where mandated. The Committee has agreed that its Chair can provide this Authorisation on its behalf.

- Review and assessment of lending levels for both new and existing balances against the lending criteria, including levels and types of policy exceptions to ensure that the limits (BSCOCs and internal) are still being complied with.
- To consider on a regular basis, the wider mortgage market, and risks emerging from observed / reported activity and pass these observations onto the Executive Team for inclusion in the ICAAP.
- For **non-retail exposures** (commercial and legacy),
  - To oversee the Boards 'Exit' appetite and recommend to the board material strategies on individual cases for reduction in exposures, disposals, or restructuring.

### **Reporting responsibilities**

- The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. This will specifically include the escalation of any significant risk concerns to the Board as appropriate.
- The Committee Chair shall advise the Board as to whether the Committee considers that the Society's risk management performance and profile is consistent with its risk appetite and that associated policies are being consistently applied.
- The Chair shall also report as to the Committee's conclusions whether the Pillar 2 capital allocations for retail credit and operational (including conduct) risk evaluated in the ICAAP remain appropriate.
- The Committee has a responsibility to summarise and report by exception all known breaches of risk indicators, limits or mandates to the Board.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any matters within its remit where action or improvement is needed.

### **Other matters**

The Committee will:

- Maintain individual and collective competence through continuous professional development, and be provided with appropriate and timely training, both in terms of induction for new members and on an ongoing basis.
- Give due consideration to relevant laws and regulations.
- Oversee any investigation of activities which are within its terms of reference.

## **Performance Evaluation**

- Arrange for annual reviews of its own performance, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

## **Approval and Review**

- The above Terms of Reference which were approved by the Risk Committee on 17<sup>th</sup> June 2025 and ratified by the Board. These Terms of Reference will be reviewed at least on an annual basis.