



Board Governance Manual - Appendix G5 (Section 4 & Section 8)

Terms of Reference of Board Sub Committees: Risk Committee

May

2023

Document Control

The content and any amendments of this document are the responsibility of the Financial Controller and Secretary.

Terms of Reference should be reviewed annually together with the Committee's own effectiveness.

Version	Date	Changes made
1.0	June 2018	Full Review
2.0	October 2018	Manual divided into individual sections
3.0	November 2019	Full Review
4.0	February 2020	Vulnerability Policy added
5.0	May 2020	Full Review
6.0	November 2020	Updates
7.0	May 2021	Annual Review
8.0	August 2021	Updates
9.0	November 2022	Annual Review
10.0	May 2023	Annual Review

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At Each Regular Meeting

Constitution

The Board has resolved to establish a Committee of the Board to be known as the Risk Committee.

Objective

To identify and monitor risks to the Society's strategy, operations and performance.

Membership and Attendance

The Committee shall be appointed by the Board from amongst the Non-Executive Directors, and shall comprise of no less than three Non-Executive Directors, including the Chair. Membership shall include at least one member of the ALCO and one member of the Audit & Compliance Committee to assist communications between Committees. The Head of Risk, Chief Executive Officer, Finance Director and Financial Controller & Society Secretary will also normally be in attendance. A quorum shall be two Non-Executive Directors. Attendance at Committee meetings is open to any Society Director. The Chair of the Committee (SMF 10) shall be appointed by the Board.

Frequency of Meetings

Scheduled meetings will take place not less than four times a year with such additional ad hoc meetings as Committee members may deem fit. At least once per year the Risk Committee will follow the Audit & Compliance Committee to allow for interaction between the two Committees and Internal Audit (if required).

Authority

The Committee is authorised by the Board to handle any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary.

The minutes of meetings of the Committee will be circulated to all members of the Board, and the Chair will report formally to the Board on its deliberations, decisions and recommendations at the Board meeting following each Committee meeting.

Duties

The Risk Committee has a scope extending to all risk aspects of the business including its strategic direction:

1. To help the business optimise its risk reward balance;
2. To advise the Board on overall risk appetite, risk tolerance and exposures;
3. To monitor key risks (including emerging risks) and report on movements in risk performance, overseeing the Risk Register;
4. Own the measures for assessing risk performance (key risk indicators) and identifying new risks;
5. To ensure that either the Society remains within its risk appetites in the various aspects of its business, or that Management is taking appropriate mitigating actions where the risk appetite is being, or appears to be at risk of being breached.

Specific Responsibilities

In reviewing policies, the Committee will make appropriate recommendations to the Board.

To review:

- a) the Society's Risk Management Framework, ensuring that the business implements an effective risk governance structure including outsourcing;
- b) the Society's Risk Appetite Statements;
- c) the Society's stress test scenarios and assumptions prior to inclusion in the ICAAP and Recovery Plan to ensure that risks are being adequately considered;
- d) the Society's Risk Register;
- e) the Society's credit risk;
- f) the Society's Conduct Risk appetite and performance;
- g) the Society's Vulnerability Policy;
- h) any new strategic or significant operational initiatives prior to implementation to ensure that risk are being adequately considered;
- i) Understand the circumstances the Society would fail (reverse stress tests) and be satisfied with the level of mitigation;
- j) and monitor the effectiveness of the Society's Risk function;
- k) monitor the Society's controls for preventing and detecting fraud;
- l) to review the Society's risk appetite regarding Financial Crime;

- m) review Risk events; considering any instances of fraud or attempted fraud carried out by the Society's staff, customers or third parties which have led or might lead to financial loss or loss of reputation. To consider the appropriate action to be taken in significant or recurring cases, and to recommend to the Board changes to policies or procedures as necessary to prevent further occurrences;
- n) request, receive and review reports from the Society's Head of Risk and Management Risk Committee.
- o) review the adequacy of the Society's own insurance
- p) without prejudice to the tasks of the Remuneration Committee, examine whether incentives provided by the remuneration system take into consideration risk, capital and to review the effectiveness of its own performance and Terms of Reference on an annual basis, and make recommendations to the Board in relation to these matters, as considered appropriate
- q) consider any training and development needs for Committee members
- r) to periodically, and at least annually, carry out a Committee Self-Evaluation exercise.

Timetable for Consideration of Business Issues*

January:

Information Provided:

1. Portfolio Review
2. Risk Report
3. Capital Adequacy Report
4. Cyber Risk Report
5. Exposures against Credit Risk Appetite
6. Exposures against Lending Policy and Regulatory Limits
7. Annual Assurance Plan (considered at Audit & Compliance Committee)
8. Operational Risk Deep Dive
9. Operational Resilience Update

Items for Decision:

1. Review of Full Risk Register
2. Executive Risk Committee Minutes

April:

Information Provided:

1. Portfolio Review
2. Risk Report
3. Capital Adequacy Report
4. Cyber Risk Report
5. Society's Own Insurance
6. Exposures against Credit Risk Appetite
7. Exposures against Lending Policy and Regulatory Limits
8. Operational Resilience Update

Items for Decision:

1. Self-Evaluation Questionnaire Template
2. ICAAP Assumptions
3. Review of Risk Management Policy & Framework
4. Review of Operational Risk Management Policy & Framework
5. Review of Operational Risk Appetite
6. Executive Risk Committee Minutes

July:

Information Provided:

1. Portfolio Review
2. Risk Report
3. Capital Adequacy Report
4. Business Continuity Plan
5. Cyber Risk Report
6. Exposures against Credit Risk Appetite
7. Exposures against Lending Policy and Regulatory Limits
8. Operational Risk Deep Dive
9. Operational Resilience Update

Items for Decision:

1. Review of Full Risk Register
2. Results of Self-Evaluation Questionnaire
3. Market Risk Sensitivities for Pension Liability
4. Review of Model Risk Policy
5. Review of Conduct Risk Appetite Statement
6. Review of Cyber Risk Policy and Cyber Risk Strategy
7. Review of Vulnerability Policy
8. Executive Risk Committee Minutes

October:

Information Provided:

1. Remuneration Policy in light of risk to conduct, capital and liquidity
2. Portfolio Review
3. Risk Report
4. Capital Adequacy Report
5. Exposures Against Lending Policy and Regulatory Limits
6. Exposures against Credit Risk Appetite
7. Cyber Risk Report
8. Operational Resilience Update
9. Executive Risk Committee Terms of Reference

Items for Decision:

1. Recovery Plan Scenarios (alternate odd years)
2. Risk Committee Terms of Reference
3. Review of Information Supplied to Committee
4. Residential Lending Policy
5. Commercial Lending Policy
6. Review of Credit Risk Appetite
7. Analysis of Movement in QRA Exposure
8. Review of Financial Crime Policy
9. Review of Financial Crime Risk Appetite
10. Executive Risk Committee Minutes

Policies and Risk Appetites for Consideration by the Risk Committee:

1. Residential Lending Policy
2. Commercial Lending Policy
3. Cyber Risk Policy and Cyber Risk Strategy
4. Financial Crime Policy
5. Financial Crime Risk Appetite
6. Risk Management Policy & Framework
7. Operational Risk Management Policy & Framework
8. Operational Risk Appetite
9. Model Risk Policy
10. Conduct Risk Appetite Statement
11. Credit Risk Appetite
12. Vulnerability Policy

* The timetable is produced for guidance to ensure all matters are considered in a timely manner but meetings and items may move within the year, dependent on the full Board meeting timetable.