Terms of Reference of Board Sub Committees: Board Risk Committee

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Document Control

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

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
11.0	September 2024	Wholesale review of the terms of reference to bring up to date, ensure fully comprehensive in line with the requirements of SYSC 21.1.5 (G) and 21.1.6 (G) and good industry and peer practice, and to address the recommendations made as part of the 2024 Risk Management Framework Design Internal Audit Final Report.
12.0	October 2025	Addition of rapid decision protocol, member only discussion and clarification of delegated responsibilities
13.0	June 2026	Updated delegated responsibilities, and included thematic reviews.

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Constitution

The Board of Directors of Market Harborough Building Society has resolved to establish a Committee of the Board to be known as the Board Risk Committee ("BRC").

The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.

Role and responsibilities

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by receiving regular reports from the Executive Risk Committee and Management Committees which enable the BRC to assess the risks involved in the Society's business (including those risks that would threaten its business model, future performance, solvency or liquidity) and to consider the principal and transversal risks identified by management and if they are appropriate. The Committee also provides advice, oversight, and challenge necessary to embed and maintain the Society's desired risk management culture.

Objective

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

Duties and terms of reference

The Committee shall carry out the following duties for the Society as appropriate:

1. Review and approve (at least annually) the Society's Risk & Compliance Function Charter and Annual Risk & Compliance Plan.
2. Review and approve (at least annually) the Society's Enterprise-wide Risk Management Framework ("ERMF").
3. Review and approve (at least annually) the Society's Risk Appetite Framework & Statement, which also includes all Risk Appetite Metrics.
4. Review the Society's overall risk profile (i.e., across all risk categories) against its risk strategy and risk appetite, ensuring that either the Society remains within its risk appetite in the various aspects of its business, or that the Executive and Senior Leadership Team is taking appropriate mitigating actions where the risk appetite is being, or appears to be at risk of being, breached.
5. Consider and monitor emerging and potential risks and propose to the Board changes to risk appetite where necessary. Where appropriate, the Committee should consider seeking external advice and support on emerging risks.
6. Track development of assessed risk over time.
7. Review, monitor and challenge the use and management of the Society's risk models. The Committee will also approve new or material changes to models, and any materiality classification of models and methodology applied.
8. Review and approve (at least annually) the Society's Model Risk Policy.
9. Review (at least annually) the adequacy and effectiveness of the ERMF, including its level of embedding within the Society's business.

10. Input into the annual assessment of the adequacy and effectiveness of the Risk & Compliance Function and the Chief Risk Officer's performance.
11. Review and approve (at least annually) the Society's Third-Party Management & Outsourcing Policy.
12. Determine the nature, amount and frequency of the Risk Management Information received by the Board and ensure the Board has adequate access to such information and that the information is of sufficient quality, quantity, and breadth.
13. Request, receive and review reports from the Society's Chief Risk Officer's Report, and Executive Risk Committee.
14. Oversee the results of risk assessments performed by the Society (both "Top Down" Risk Register and "Bottom Up" Business Area Risk & Control Self-Assessments ("RCSAs")) including an assessment of the adequacy and effectiveness of controls and mitigations described for those risks. To also receive appropriate reporting from the Risk & Compliance Function in relation to reported risk events and near misses.
15. Provide oversight of the Society's operational resilience framework and formally review (at least annually) the Society's self-assessment relating to operational resilience and formally recommend this to the Board for approval.
16. Provide oversight and challenge on the Society's management of financial and non-financial risks relating to climate change.
17. Review the adequacy of the Society's own insurance.
18. Review the Internal Capital Adequacy Assessment Process ("ICAAP"), Reverse Stress Testing ("RST"), Recovery & Resolution Plan ("RRP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") annually and recommend to the Board for approval, including the appropriateness of underlying stress testing scenarios and assumptions.
19. Provide oversight of, and review, the stress testing framework for use within the ICAAP, ILAAP, RRP and Corporate Plan.
20. Approve the key stress testing scenarios and underlying assumptions (including liquidity stress testing and basis risk scenarios), ensuring that these remain appropriate to the Society's risk profile and are not delegated to Management Committees.
21. Review and challenge the results of stress testing and reverse stress testing, including assessment of the appropriateness of scenarios and assumptions used. . The Committee will also understand the circumstances the Society would fail (reverse stress tests) and be satisfied with the level of mitigation.
22. Review and monitor Executive response to any risk mitigation plans requested by the Prudential Regulation Authority ("PRA") or Financial Conduct Authority ("FCA").
23. Provide input to the Remuneration Committee on the Committee's view of the Executive's risk attitude and culture, which should be taken into account when determining the performance of the Executive.
24. Where requested by the Board, the Committee shall provide a report of its activities and the Society's risk management and strategy for inclusion in the Society's Annual Report and Accounts.
25. Ensuring the margin management is in line with the approved Corporate Plan.
26. The Committee should give due consideration to any advice received from the Audit & Compliance Committee or the Society's Internal Audit Function on the effectiveness of the Society's control framework in place to mitigate risks to within Board approved risk appetite.

27. Ensure that customer outcomes are a central focus of risk control arrangements under SYSC, in accordance with Consumer Duty.
28. Undertake thematic reviews on specific risk categories as determined by the Committee, reporting outcomes to the Board as appropriate.
29. Reviewing and approving relevant Society Policies in line with the delegated authority granted by the Board, and making recommendations to the Board for any Society Policies which require prior review by the Committee. The Society's Document Library has full details of the review and approval pathway for all of the Society's Policies.
30. Members should have a private discussion twice per year to consider the Committee's view of the Executive risk attitude and culture, with the outcome to be provided to the Remuneration Committee.

Membership

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. The Chair of the Board shall not chair the Committee.

The Board shall appoint the Chair of the Committee ("SMF10"). In the absence of the Committee Chair and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.

Membership shall include at least one member of the Board Audit & Compliance Committee ("BACC") to assist communications between Committees.

The Society Secretary, or their nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

Quorum

The quorum necessary for the transaction of business at a Committee meeting shall be two Non-Executive Directors, present in person or by audio or video conference.

A duly convened Committee meeting 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.

Frequency of, and attendance at, meetings

The Committee shall meet at least four times a year with such additional ad hoc meetings as Committee members may deem fit.

Outside of the formal meeting programme, the Committee Chair shall maintain a dialogue with key individuals involved in the Society's risk management governance, and can invite Internal Audit to attend periodically.

Only Committee members have the right to attend and vote at Committee meetings. However, the Executive shall be invited to attend and address meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meetings as and when appropriate and necessary.

The Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Rapid Protocol Decision ("RDP")

Where the Committee is required to take a Rapid Protocol Decision ("RPD") under its delegated responsibilities and where it is not feasible to convene an ad hoc meeting prior to the next scheduled Committee meeting:

- All Committee members must be notified and provided with reasonable notice of the proposed decision.
- Any decision taken must be quorate in accordance with the Committee's Terms of Reference.
- The outcome of the decision must be formally recorded and presented at the next scheduled Committee meeting for noting and assurance.

Notice of meetings

Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and relevant papers, 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 working days before the date of the meeting. Late papers can be considered at the discretion of the Committee Chair.

Voting arrangements

Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).

If a matter that is considered by the Committee is one where a Committee member, directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

Except where he or she has a personal interest, the Committee Chair shall have a casting vote.

The Committee Chair may ask attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

Minutes of meetings

The Society Secretary (or their nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. A resolution in writing signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

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.

Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conferences.

Annual General Meeting ("AGM")

The Committee Chair shall attend the AGM to answer any questions from members on the Committee's activities and areas of responsibility.

Reporting responsibilities

The Committee shall:

- Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- Make available to members these terms of reference by placing them on the Society's website.

General matters

The Committee shall:

- Consider other duties determined by the Board from time to time.
- Have access to sufficient resources in order to carry out its duties, including access to the Society Secretary as required.
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on ongoing basis for all members.
- Give due consideration to all applicable laws and regulations.
- Work and liaise as necessary with all other Board Committees.
- At least annually, carry out a Committee performance review exercise and review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Authority

The Board authorises the Committee to:

- Carry out all duties set out in these terms of reference, to have unrestricted access to the Society's documents and information and to obtain, at the Society's expense, appropriate external legal or other independent professional advice on any matter within its terms of reference as it considers necessary.
- Seek any information if requires from any employee of the Society to perform its duties.
- Secure the attendance of external advisers or third parties with relevant experience and expertise at its meetings if it considers this necessary, at the Society's expense.
- Employees may be invited to attend all or part of any meetings of the Committee and address the Committee as and when appropriate at the request of members of the Committee.

Key Documents, Policies and Risk Appetites for Consideration by the Risk Committee:

1. Risk & Compliance Function Charter
2. Annual Risk & Compliance Plan
3. Enterprise-Wide Risk Management Framework
4. Risk Appetite Framework & Statement
5. Risk & Compliance Function and Framework Effectiveness Assessment Methodology
6. Risk & Compliance Function and Framework Effectiveness Assessment Report
7. Risk Register Review
8. Emerging Risk Register Report
9. Operational Resilience Policy and Self-Assessment (ORSA)
10. ICAAP
11. ILAAP
12. Recovery Plan
13. Residential Lending Policy
14. Commercial Lending Policy
15. Cyber Risk Policy and Cyber Risk Strategy
16. Financial Crime Policy
17. Model Risk Policy
18. Arrears and Repossessions Policy
19. Liquidity & Funding Policy
20. Interest Rate Risk in the Banking Book (IRRBB) Policy
21. Counterparty Policy
22. Third Party Management & Outsourcing Policy
23. Solvent Exit Plan