

Terms of Reference – Board Risk Committee (BRC)

1.	Authority & Purpose	<ul style="list-style-type: none"> • 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 across the Society. • The BRC has oversight responsibilities for risk management across the Society, including for all subsidiaries and all risk categories. • The BRC reports directly to the Board. • The BRC is authorised by the Board to: <ul style="list-style-type: none"> ○ carry out the duties as outlined in this Terms of Reference <u>providing robust oversight and challenge</u> to the Society’s risk management arrangements, ensuring that risk appetite is appropriate and adhered to and that the key risks to the organisation are identified, managed and monitored appropriately; ○ provide <u>robust oversight and challenge</u> of compliance activities and compliance with PRA and FCA regulations; ○ seek any information it requires from any employee of the Society in order to perform its duties, including any investigations required; ○ obtain external expertise, advice and support on any risk issue if considered necessary. 	
2.	Chair	<ul style="list-style-type: none"> • The BRC Chair will be a Non-Executive Director (NED) appointed by the Board. • The Chair of the BRC, who must not be the Society’s Chair, will be appointed by the Board following consideration and recommendation to the Board by the Nomination and Governance Committee. • If the Chair is absent a NED will be nominated by agreement between the members and will chair the meeting. 	
3.	Members	<ul style="list-style-type: none"> • Members of the BRC shall be appointed by the Board following consideration and recommendation by the Nomination and Governance Committee. • The Committee will comprise at least two further NEDs in addition to the Chair. • The maximum term for BRC membership is 6 years. • Each member is appointed annually at the Board meeting following re-election at the Annual General Meeting. 	
4.	Standing Attendees	<ul style="list-style-type: none"> • CEO • CFO • The Chief Risk Officer (CRO) • Head of Internal Audit 	

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5.	Additional Invitees	<ul style="list-style-type: none"> Any Non-Executive Director may attend a Meeting without invitation (and where possible will give notice of their intention to do so to facilitate them receiving the BRC papers in advance). The Committee may require any individual(s) to attend a Meeting, such as other members of the Senior Management Team, Risk, Compliance and External Audit. Specialists may be requested to attend for specific items to provide advice and support or make presentations. 	
6.	Quorum	<ul style="list-style-type: none"> For a meeting to be quorate, a minimum of BRC 2 members must be present. 	
7.	Meeting Frequency	<ul style="list-style-type: none"> The BRC will meet as a minimum four times per year. The Chair of the BRC may convene additional meetings of the Committee as required. 	
8.	Secretary & Secretarial Functions	<ul style="list-style-type: none"> The Society’s Secretary (or their nominee) will be the Secretary of the Committee. 	
9.	The Committee receives its Authority from	<ul style="list-style-type: none"> The BRC is a committee of the Board without executive powers. It is authorised by the Board to investigate any activity within its terms of reference and seek any information that it requires from any employee of the Society or its subsidiaries. All employees are directed to cooperate with any request made by the BRC. 	
10.	Scope of this Committee’s Oversight & Responsibility	<ul style="list-style-type: none"> The duties of the Committee are categorised as follows: <ul style="list-style-type: none"> Risk Appetite <ol style="list-style-type: none"> <u>Advise</u> the Board on setting the Society’s overall risk appetite, risk strategy, risk culture and level of risk acceptance, including oversight of the current and emerging risk exposures for Credit Risk, Business Risks, Financial Risk, Operational Risk, Conduct Risk, Regulatory Risk, and Strategic Risk. <u>Receive</u> and <u>review</u> reports on any material breaches of risk appetite, or other items requiring escalation. Risk Management Framework <ol style="list-style-type: none"> <u>Oversee</u> the development and effective operation of the Society’s Risk Management Framework (RMF) to ensure that the Society has adequate arrangements in place for the identification, monitoring, measurement and mitigation of risk. Significant Risks and Controls <ol style="list-style-type: none"> <u>Oversee</u> and <u>challenge</u> the Society’s significant risks and the controls in place to manage those risks. This includes monitoring 	

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		<p>the Group’s adherence to the RMF and Policies.</p> <p>Risk Profile</p> <p>e) <u>Monitoring</u> and <u>reporting</u> to the Board on the risk profile of the Society taking into account overall risk exposures versus its risk appetite, risk trends, trigger points, limits and buffers (including material breaches of risk limits and the adequacy of the proposed remedial actions).</p> <p>Key Risk Documents</p> <p>f) <u>Review, challenge</u> and <u>recommend for approval</u> to the Board the Society’s key risk documents on at least an annual basis. This will include:</p> <ul style="list-style-type: none"> ○ Risk Management Framework ○ Risk Appetite Framework ○ Risk Policy Framework ○ Recovery and Resolution Pack <p>g) <u>Review, challenge</u> and <u>approve</u> under delegated authority from the Board:</p> <ul style="list-style-type: none"> ○ Strategic Risk Policy ○ Combined Assurance Framework ○ Financial Risk Management Policy ○ Lending Policy Statements ○ Business Continuity and Disaster Recovery Framework ○ 3rd Party Relationship Policy ○ Regulatory Risk Policy ○ Product Development and Governance Policy ○ Vulnerable Customer Policy ○ Operational Risk Policy Statement (which includes IT-related and Cyber risks) ○ Conduct Risk Policy ○ Information Security Policy ○ Anti-Money Laundering Policy ○ Cyber Security Strategy ○ Group Fraud Policy ○ Data Protection policy ○ Residential Lending Policy 	
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		<ul style="list-style-type: none"> ○ Commercial Lending Policy ○ Borderway Finance Lending Policy ○ Stress Testing and Scenario Analysis Policy ○ Capital Management Policy ○ MLRO report ○ The Society’s Compliance Policy ○ Annual Risk and Compliance Plans <p>ICAAP, ILAAP and RRP Scenarios</p> <p>h) As part of the ICAAP, ILAAP and RRP processes, <u>review</u> scenario assumptions for inclusion in business planning and <u>receive</u> the results of stress and scenario analysis and <u>challenge</u> whether the proposed mitigation is sufficient to manage the risk exposure within the Board’s risk appetite.</p> <p>Risk Management Function Performance</p> <p>i) <u>Oversee</u> and <u>assess</u> the performance of the Risk Management function. This will include ensuring that the function is adequately independent and has appropriate resources to fulfil its regulatory responsibilities.</p> <p>Risk Training Programme</p> <p>j) <u>Oversee</u> the development and delivery of the Society’s risk training programme ensuring that all key topics are covered and that the appropriate personnel from across the Society are engaged.</p> <p>Co-ordinating with other Board and Management Committees</p> <p>k) <u>Receive</u> and <u>consider</u> reports from the Board Assets and Liabilities (BALCO) as appropriate, and escalated from the Executive Risk Management Committee (ERMC) to monitor and scrutinise, oversee and challenge their approach to managing the risks appropriate to each Committee.</p> <p>Compliance</p> <p>l) <u>Review</u> the effectiveness of the Society’s Compliance arrangements for compliance with regulatory and other requirements.</p> <p>m) <u>Receive</u> and <u>consider</u> reports from the Group Compliance Manager and from compliance officers with specific compliance responsibilities.</p> <p>n) <u>Receive</u> and <u>review</u> reports on any material compliance breaches or issues.</p> <p>MLRO Report</p>	
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		<p>o) <u>Review</u> twice-yearly reports from the Society’s Money Laundering Reporting Officer.</p> <p>Transformation / Change Risks</p> <p>p) <u>Review</u> the risks of major initiatives such as acquisitions or Transformation of Change projects and be assured that appropriate due diligence has been carried out and the associated movement in risk profile remains within risk appetite in respect of credit, financial, operational, conduct and regulatory and strategic risks.</p> <p>Remuneration</p> <p>q) <u>Review</u> the Society’s Remuneration policy as developed by the Remuneration Committee solely to ensure it is consistent with the Society’s risk appetite and does not drive excessive risk-taking.</p> <p>Risk Culture</p> <p>r) <u>Oversee</u> the Society’s risk management arrangements to ensure that there is an appropriate risk culture in place throughout the Society.</p>	
11.	Reporting and Escalation	<ul style="list-style-type: none"> • The BRC will report to the Board by way of a written report following each Committee meeting. The written report will append the committee minutes. • The report to the Board will be delivered by the Chair of the BRC, assisted by the CRO, and will focus on the Society’s key risks and the nature of the <u>robust oversight and challenge</u> at the BRC (including compliance with regulatory and other requirements). • The Chair of the BRC may provide a verbal update report for any events subsequent to the BRC meeting. • An annual Risk report will be included within the Report and Accounts of the Society. 	
12.	Authority Delegated by this Committee	<ul style="list-style-type: none"> • The BRC delegates to the Executive Risk Management Committee (ERMC), Credit Risk Committee, Operational Risk Committee, and Regulation and Conduct Committee (where applicable and relevant to each of them under their respective terms of reference) authority as management committees to oversee, review, monitor, consider, assess all matters referred to above as ‘Scope of this Committee’s Oversight & Responsibility’ in order to support, assist and report to the BRC in carrying out its Terms of Reference. 	
13.	Administration	<ul style="list-style-type: none"> • Meetings of the Committee shall be scheduled annually in advance. • Meetings will take place at least 10 working days before the Board meeting that it is to report to. • An agenda of items to be discussed and supporting papers shall be 	

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		forwarded to each member of the Committee, no later than five working days before the date of the meeting.	
14.	CRO Private Meeting with Members	<ul style="list-style-type: none"> The members will meet with the CRO, in the absence of Executive Directors, at every BRC meeting. 	
15.	Member Training	<ul style="list-style-type: none"> Members shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members. 	
16.	Effectiveness Review	<ul style="list-style-type: none"> At least annually, carry out a review of its performance and its Terms of Reference to ensure it is operating effectively and recommend any changes to the Nomination and Governance Committee and the Board for consideration and approval. 	
17.	ToR Last Approved on	<ul style="list-style-type: none"> 18 December 2018 	