

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 (NGC). 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 NGC. The Committee will comprise at least two further NEDs in addition to the Chair. 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"> Chief Executive Officer (CEO) Chief Financial Officer (CFO) Chief Risk Officer (CRO) Head of Internal Audit Chief Customer Officer (CCO) Chief Operating Officer (COO) Chief Information & Transformation Officer (CITO)
5.	Additional Invitees	<ul style="list-style-type: none"> Any NED 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).

Terms of Reference – Board Risk Committee (BRC)

		<ul style="list-style-type: none"> The Committee may require any individual(s) to attend a Meeting, such as other members of the Senior Management Team, Risk, 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 2 BRC 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 Risk Framework Coordinator 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: <p>Risk Appetite</p> <p>a) <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, Financial Risk, Operational Risk, Conduct Risk, Regulatory Risk, and Strategic Risk.</p> <p>b) <u>Receive</u> and <u>review</u> reports on any material breaches of risk appetite, or other items requiring escalation.</p> <p>Risk Management Framework</p> <p>c) <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.</p> <p>Significant Risks and Controls</p> <p>d) <u>Oversee</u> and <u>challenge</u> the Society's key risks and corresponding key controls in place to manage those risks. This includes monitoring the Group's adherence to the RMF and Policies.</p> <p>Risk Profile</p>

Terms of Reference – Board Risk Committee (BRC)

		<p>e) <u>Monitoring and 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 and limits (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 and 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"> ○ CRO Overview ○ Risk Appetite Dashboard, Risk Appetite Framework & Annual Review of Risk Appetite Statements & Measures ○ Changes to Risk Appetite Measures ○ Annual Report on Climate Change Risk ○ Risk Management Framework ○ Policy Framework ○ Annual Review of Strategic Risks ○ Residential and Commercial Mortgage Stress Test Analysis ○ Top Tier Risks ○ Money Laundering Reporting Officer's Annual Report and Half Yearly Update ○ All policies and frameworks requiring sign-off at Board as defined in the Policy Framework. <p>g) <u>Review, challenge and approve</u> under delegated authority from the Board:</p> <ul style="list-style-type: none"> ○ Strategic Risk Summary & Register ○ Strategic, Credit, Operational, Regulatory (including Financial Crime), Conduct and Financial Risk Summaries ○ Credit Risk Committee Update ○ Annual review of Credit Risk Lending Limits ○ Changes to Credit Risk Lending Limits ○ Credit Risk Committee Portfolio monitoring ○ Review exceptions to Lending Criteria as agreed by Credit Risk Committee ○ Review changes to Level 2 Mortgage Lending Policy – Credit Risk Lending Criteria as agreed by Credit Risk Committee ○ Fraud Update ○ Risk Event, Breach, RCSA Update & Risk Acceptance Reports
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Terms of Reference – Board Risk Committee (BRC)

		<ul style="list-style-type: none"> ○ Consumer Duty Update ○ Risk Culture Dashboard ○ Data Protection Officer’s Report ○ COO Updates (including Procurement & Supplier Management Quarterly Update which incorporates any significant issues from annual reviews of third party suppliers for Strategic relationships) ○ All policies and frameworks requiring BRC approval as defined in the Policy Framework ○ Money Laundering Reporting Officer’s quarterly action updates ○ Annual Risk Plan including Second Line Risk Oversight Plan ○ Operational Resilience & Business Continuity Annual Report ○ Annual Data Protection Compliance Report ○ Annual Schedule of Papers for BRC ○ The annual review of the RMC Terms of Reference ○ RMC Effectiveness Review Results ○ New Cumberland Risk Reporting <p>Risk Management Function Performance</p> <p>h) <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>i) <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>j) <u>Receive</u> and <u>consider</u> reports from the Assets and Liabilities Committee (ALCO) as appropriate, and any reports escalated from the Risk Management Committee (RMC) and Credit Risk Committee (CRC) to monitor and scrutinise, oversee and challenge their approach to managing the risks appropriate to each Committee.</p> <p>k) <u>Receive</u> and <u>consider</u> quarterly reports from the Change Steering Committee to provide support and oversight relevant to the New Cumberland programme and to provide advice to Board as appropriate.</p> <p>Regulatory Risk</p> <p>l) <u>Review</u> the effectiveness of the Society’s Compliance arrangements for compliance with regulatory and other requirements.</p>
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Terms of Reference – Board Risk Committee (BRC)

		<p>m) <u>Receive</u> and <u>review</u> reports on any material regulatory compliance breaches or issues.</p> <p>Consumer Duty</p> <p>n) Review the Consumer Duty Update (which includes an update on Vulnerable Customer management).</p> <p>MLRO Report</p> <p>o) <u>Review</u> quarterly 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, including for the New Cumberland programme, 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>Risk Culture</p> <p>q) <u>Oversee</u> the Society's risk management arrangements to ensure that there is an appropriate risk culture in place throughout the Society.</p> <p>Material Outsourcing Arrangements</p> <p>r) To review and agree high risk material outsourcing arrangements prior to regulator notification.</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 RMC, CRC, Conduct, Regulatory & Operational Risk Committee (CRORC), and Fraud & Financial Crime Committee (FFCC) (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.

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		<ul style="list-style-type: none"> The BRC delegates the oversight of change risk to the Change Steering Committee, which is a separate risk focussed committee led by First Line with Second Line attendance and oversight.
13.	Administration	<ul style="list-style-type: none"> Meetings of the Committee shall be scheduled annually in advance. An agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee, no later than three 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 Senior Leadership Team 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 NGC and the Board for consideration and approval.
17.	ToR Last Approved on	<ul style="list-style-type: none"> 30 April 2024