



CUMBERLAND BUILDING SOCIETY BOARD RISK COMMITTEE

TERMS OF REFERENCE

1. Authority

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, including all subsidiaries and all risk categories. The BRC reports directly to the Board.

The BRC is authorised by the Board to:

- carry out the duties as outlined in the Terms of Reference providing robust oversight and challenge 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 robust oversight and challenge 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
- review, challenge and recommend for approval key risk management documentation

2. Membership

The BRC Chairman will be a Non-Executive Director (NED) appointed by the Board. The Committee will also comprise of three further NEDs.

3. Attendance

3.1 In addition to members of the Committee, standing invitations for attendance are extended to:

- All other NEDs
- The Executive Directors
- The Head of Risk
- The Head of Internal Audit

3.2 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.

4. Quorum

4.1 For a meeting to be quorate, a minimum of 3 Committee Members must be present.

4.2 If the Chairman is absent a designated NED will chair the meeting.

5. Frequency of Meetings

5.1 The BRC will meet as a minimum on a quarterly basis. The Chairman of the BRC may convene additional meetings of the Committee as required.

6. Notice of Meetings

6.1 Meetings of the Committee shall be scheduled annually in advance.

6.2 An agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting.

7. Reporting

7.1 Minutes of Committee meetings and the report from the Head of Risk will be submitted to the Board in the month following each meeting. In addition, the Chairman of the Committee will verbally report to the Board after each meeting of the Committee. Any material items will be immediately escalated to the Board.

7.2 An annual Risk report will be included within the Report and Accounts of the Society

8. Duties of the Committee

The duties of the Committee are categorised as follows:

- 8.1 Advise the Board on setting the Society's overall risk appetite and risk strategy, including oversight of the current and emerging risk exposures for Credit Risk, Financial Risk, Operational Risk, Conduct and Regulatory Risk and Strategic Risk
- 8.2 Oversee 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
- 8.3 Ongoing oversight and challenge of the Group's significant risks and the controls in place to manage those risks. This will also include monitoring the Group's adherence to the RMF and Policies
- 8.4 Monitoring and reporting to the Board on the risk profile of the Group taking into account overall risk exposures vs. risk appetite, risk trends and limits. Material breaches of risk limits and the adequacy of the proposed action will also be reviewed
- 8.5 Review, challenge and recommend for approval to the Board the Society's key risk documents on at least an annual basis. This will include:
- Risk Management Framework
 - Strategic Risk Policy and Risk Appetite Framework
 - Treasury Policy Statement
 - Lending Policy Statements
 - Operational Risk Policy Statement (which includes I.T. risk)
 - Conduct Risk Policy
 - Group Information Security Policy
 - Individual Capital Adequacy Assessment Process, Statement and Framework (ICAAP)
 - Individual Liquidity Adequacy Assessment (ILAA)
 - Recovery and Resolution Plan (RRP)
 - Group Compliance Policy
 - Annual Risk and Compliance plans
- 8.6 As part of the ICAAP, ILAA and RRP processes, review scenario assumptions for inclusion in business planning and receive the results of stress and scenario analysis and challenge whether the proposed mitigation is sufficient to manage the risk exposure within the Board's risk appetite

- 8.7 Oversee and assess 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
- 8.8 Oversee 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
- 8.9 Receive and consider reports from the Assets and Liabilities Committee (ALCO), Risk Management Committee (RMC) and Conduct Risk Committee (CRC) to monitor and scrutinise, oversee and challenge their approach to managing the risks appropriate to each Committee
- 8.10 Receive and review reports on any material breaches of risk appetite, or other items requiring escalation or approval
- 8.11 Review the effectiveness of the Society's Compliance arrangements for compliance with regulatory and other requirements. Receive and consider reports from the Group Compliance Manager and from compliance officers with specific compliance responsibilities. Receive and review reports on any material breaches or issues. Review six monthly reports from the Society's Money Laundering Reporting Officer
- 8.12 Review the risks of major initiatives such as acquisitions or 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
- 8.13 Review 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
- 8.14 Review the transfer of risk through an annual review of the Society's insurance arrangements
- 8.15 Oversight of the Society's risk management arrangements to ensure that there is an appropriate risk culture in place throughout the Society
- 8.16 Review and oversight of credit risk being taken by the Society to ensure it is aligned with the Board's risk appetite and strategy

9. Other Matters

The Committee will:

9.1 Have access to sufficient resources to carry out its duties

9.2 Give due consideration to relevant laws, regulation and statements of good practice

9.3 At least annually, carry out reviews of its performance and its Terms of Reference to ensure it is operating effectively and recommend any changes to the Board for approval

9.4 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