RISK COMMITTEE [RISKCO] - TERMS OF REFERENCE

1. OBJECTIVES

1.1. The primary objective of the Board Risk Committee is to assist the Board in overseeing the management of risk across the Society. It performs this role by ensuring that:

- The Society's key risks are identified and steps are taken by management to mitigate them within the risk appetite levels agreed with the Board.
- Due consideration is given to all significant matters relating to governance, control, regulatory and compliance issues.
- The Society's key risks and controls are monitored adequately.
- Adequate capital and liquidity resources are maintained for the Society's key risk exposures, both to ensure regulatory compliance and the achievement of its strategic objectives.

2. MEMBERSHIP

2.1. The Committee shall be appointed by the Board from amongst the Non–Executive and Executive Directors.

3. COMPOSITION

3.1. The current composition of the Committee and meeting attendees is as follows:

POSITION	STATUS	JOB TITLE
Sarah Binstead	Chair	Non-Executive Director
Rachel Haworth	Member	Non-Executive Director
Lucy McClements	Member	Non-Executive Director
Neil Tinegate	Member	Non-Executive Director
Carolyn Porretta	Member	Non-Executive Director
Paul Wheeler	Member	Chief Executive
Dan Jones	Member	Chief Financial Officer
Jim Stevens	Member & Committee Secretary	Chief Risk Officer
Jeff Picton	Attendee	Non-Executive Director & Board Chair
Dave Newby	Attendee	Customer Service Executive
Kiran Pabial/Kieren Mardle-Moss	On Request	Risk Manager
Robyn Martin	Minute Secretary	Governance Assistant

The Chair of the Committee shall be appointed by the Board from amongst the independent Non-Executive Directors. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4. QUORUM

4.1. A Quorum shall be a minimum of three of the Non-Executive Directors who are Committee Members and the Chief Executive or Chief Financial Officer.

5. FREQUENCY OF MEETINGS

5.1. Meetings shall be held not less than four times a year.

6. ATTENDANCE

6.1. In addition to the members of the Committee and regular attendees, other attendees may be invited to the proceedings. Any member of the Committee may ask the Chair for specific individuals to attend a meeting.

7. AUTHORITY

7.1. The Committee is a sub-committee of the Board and is authorised to approve the Society's Risk Management Framework along with all associated risk management and internal control policies.

7.2. The Committee considers and approves the Terms of Reference for the Management Assets & Liabilities (MALCO), Credit (CCOM) and Executive (EXCO) Management Committees.

7.3. Outside independent professional advice will be obtained by the Committee where necessary and any such advisors may attend meetings if required.

7.4. The Terms of Reference of the Committee and any material amendments to them must be approved by the Board.

8. SECRETARIAT

8.1. The Chief Risk Officer will act as Secretary for the Committee and, in conjunction with the Minutes Secretary, is responsible for maintaining Committee meeting minutes and ensuring that all follow up actions are appropriately assigned, monitored and reported to the Committee.

9. AGENDA, PAPERS & MINUTES

9.1. The agenda and papers for the Committee meeting will normally be made available 5 calendar days prior to the meeting. Draft minutes will be provided for review to the Committee Chair within 14 working days of the meeting. Following the Chair's review the draft minutes will be submitted to the Board. The Committee Chair will report verbally to the Board on such matters as are appropriate.

10. RESPONSIBILITIES

10.1. PRIMARY RESPONSIBILITIES ARE TO:

- Consider and challenge the effectiveness of the Risk Management Framework and recommend any changes to the Board.
- Consider, review and recommend to the Board the overall Risk Appetite and Risk Strategy.
- Oversee and advise the Board on current risk exposures and emerging/future risk strategy.
- Provide advice, oversight and challenge necessary to embed and maintain an effective risk culture throughout the Society.
- Ensure that the processes for managing risks are fit for purpose and implemented appropriately by management.
- Ensure that significant emerging risks or significant changes in exposures to existing risks are promptly identified and addressed by management.
- Review policies in relation to financial and liquidity risk management.
- Monitor the Society's most significant ('key') risk exposures.
- Monitor the risk management of the Sherwood transformation programme including the external assurance reports
- Challenge the assessment and measurement of key risks.
- Provide oversight, and challenge the design and execution, of stress and scenario testing.
- Provide oversight, and challenge the design and execution, of model risk management.
- Provide oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board.
- Review whether asset and liability management is aligned/commensurate with the Corporate Plan and business risks.
- Examine, without prejudice to the tasks of the Remuneration Committee, whether incentives provided by the remuneration system are appropriate in consideration of risk, capital, liquidity, and the likelihood and timing of earnings, in order to assist in the establishment of sound remuneration policies and practices.
- Have regard for any advice received from the Audit & Compliance Committee, or the Society's Internal Auditors, concerning the effectiveness of the control framework.
- Consider the adequacy of the level of resource within, and effectiveness of, the Risk Function with respect to risk management.

10.2. PROCEDURAL RESPONSIBILITIES ARE TO:

- Monitor compliance with risk appetite thresholds/targets and policies (in relation to retail/commercial credit risk, operational risk, treasury risk, conduct risk and information/cyber security).
- Ensure Customer Outcomes are a central focus of risk control arrangements in accordance with Consumer Duty.
- Review monitoring reports for Capital, Liquidity and other key Society limits/thresholds (ICAAP, ILAAP, RP, SS20/15, etc.).
- Review and approve the Terms of Reference of MALCO, EXCO and CCOM.
- Ratify applicable decisions made by MALCO, EXCO and CCOM in relation to risk.
- Receive the minutes of MALCO, EXCO and CCOM meetings.
- Review policies in relation to risk management.

10.3. REPORTING PROCEDURE

- The Committee will determine the nature, amount, format and frequency of information on risk which it is to receive.
- At least once a year, Committee members shall review its own performance noting its conclusions in minutes, with a formal review submitted to the Nominations Committee.
- Committee members shall conduct an annual review of the Committee Terms of Reference and associated Standing Orders, ensuring that Members of the Committee have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite, and make recommendations to the Board.
- The Committee will annually review the relevant wording relating to risk to be included in the Annual Report and Accounts Corporate Governance Report.