

## **1. Purpose**

The Board Risk Committee is responsible for oversight and provision of advice to the Board on risk appetite, tolerance and strategy, including strategy for capital and liquidity management, and the embedding and maintenance of a supportive culture in relation to the management of risk.

Where all members of the Board are present and in agreement, binding decisions can be made on behalf of the Board.

## **2. Membership and Attendance:**

- 2..1. The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Committee shall include the Chairman of the Audit & Compliance Committee. Members of the Committee shall be appointed annually by the Board on recommendation of the Nomination Committee in consultation with the Chairman of the Board Risk Committee.
- 2..2. Only members of the Committee have the right to attend Committee meetings. However, the Finance Director and the Risk Director shall be expected to attend meetings of the Committee on a regular basis. Other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 2..3. The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2..4. Members of the Committee may participate in a meeting by means of an online meeting platform (ie MS Teams) where all persons participating can hear each other at the same time and participation by such means shall constitute presence at a meeting.

## **3. Quorum**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee 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

## **4. Frequency of Meetings**

The Committee shall meet at least four times a year and otherwise as required.

## **5. Secretary**

The Society Secretary or their nominee shall act as Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

## **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the Chief Risk Function holder if they consider a meeting necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five days prior to the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate.

## **7. Minutes of Meetings**

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those attending and any conflicts of interest declared at the meeting.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to the Chairman of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, exceptionally, it would be inappropriate to do so.

## **8. Duties**

A summary of key duties in respect of each of these risks is detailed below.

- Advise the Board on the Society's local and overall risk appetite, tolerance and strategy, taking account of the current and prospective

macroeconomic and financial environment drawing on financial stability assessments such as those published by the Bank of England, the Prudential Regulation Authority and other authoritative sources including the Financial Conduct Authority that may be relevant for the Society's risk policies.

- Oversee and advise the Board on the current risk exposures of the Society and future risk strategy.
- Annual review of Society's risk appetite and recommendation to Board for approval of any proposed change of risk appetite
- Monitor risk appetite limits to ensure the Society remains within the risk appetite articulated by the Board.
- Annual review of Risk Management Framework for Board approval
- Review of policies for Board approval
- Review and approve under delegated authority from the Board, the following policies:
  - BPS Material Outsourcing & Supplier Management
  - BPS Regulatory Returns
  - BPS Model & EUCA Governance
  - BPS Data Protection
- In relation to risk assessment, and subject to overlap with the Board Audit and Compliance Committee:
  - keep under review the Society's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used and, recognising that the approach to management of operational and conduct risk is distinct from other significant risk categories,
  - review regularly and approve the parameters used in these measures and the methodology adopted
  - set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance including:
    - Strategic Risk
    - Mortgage credit and concentration risk;
    - Financial risk management and liquidity risk
    - Operational (incl. Conduct) risk
    - Regulatory risk
    - Environmental, Social and Governance (ESG) issues
    - IT Operations, including cyber risk
- In relation to:
  - ICAAP – Review the risk exposures to ensure all significant risks to which the Society is exposed are identified and recommended to the Board for evaluation within the Society's internal capital adequacy assessment process. Review and approve stress testing framework including scenario analysis, stress and reverse stress testing of scenarios.
  - ILAAP – Review the risk exposures to ensure all significant risks to which the Society is exposed are identified and recommended to the Board for evaluation within the Society's internal liquidity adequacy assessment process.
  - Recovery Planning – Review the Recovery Plan to ensure contingency planning ensures effective processes for identifying a stress, devising a strategy to respond to it and testing and improving processes to ensure an effective Recovery Plan including Reverse Stress Testing and Scenario Analysis.
- Review the Society's capability to identify and manage new risk types.
- Before a decision to proceed is taken by the Board, advise the Board on material product developments and proposed strategic transactions including acquisitions and disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing on risk aspects and implications for the risk appetite and tolerance of the Society and taking independent external advice where appropriate
- Review reports on any material breaches of risk limits and the adequacy of proposed

mitigating management actions.

- Monitor and review the effectiveness of the Society's risk management and internal control systems, by receipt of reports from the Risk Director
- Provide qualitative and quantitative advice to the Board People Remuneration & Culture Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration
- Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management or other restrictions.
- Recommend to the Board the appointment and/or removal of the Risk Director
- Review promptly all reports on the Society from the Risk Director or members of the senior management team reporting on risk profile and positions.
- Review and monitor management's responsiveness to the findings and recommendations of the SMF4 postholder or members of the senior management team reporting on risk profile and position.
- Ensure the SMF4 postholder shall be given the right of unfettered direct access to the Chairman of the Board and to the Committee
- Work and liaise as necessary with all other board committees

#### **9. Reporting responsibilities**

- The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee shall make whatever recommendations to the Board it deems

appropriate on any area within its remit where action or improvement is needed.

- The Committee shall produce a report of its activities and the Society's risk management and strategy to be included in the Society's annual report
- The directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments

#### **10. Other matters**

The Committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the Society secretariat for assistance as required;
- 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;
- give due consideration to laws and regulations, the provisions of the Code and published guidance, and any other applicable rules, as appropriate;
- oversee any investigation of activities which are within its terms of reference and
- arrange for periodic reviews of its own performance and at least annually review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considered necessary to the Board for approval.

#### **11. Authority**

The Committee is authorised by the Board to:

- seek any information it requires from any employee of the Society to perform its duties.
- obtain, at the Society's reasonable expense, external legal or other professional advice on any matter within its terms of reference
- request the attendance of any employee at a meeting of the Committee as and when required.

## **12. Annual General Meeting**

The Committee Chairman should attend the annual general meeting to respond to questions from members on the Committee's activities.