

HINCKLEY AND RUGBY BUILDING SOCIETY

BOARD RISK COMMITTEE TERMS OF REFERENCE

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Version control

No.	Version	Owner	Date
1.0	Document Creation	Co- Sec	June 23
1.2	Chair and CRO feedback	Co- Sec	
2	Chair and Co Sec review	Co- Sec	Sep 24
3.0	Chair & Committee Review	Co-Sec	Oct 25

Approved Control

Version.	Body	Action	Owner	Date
1.2	Risk Committee	Recommend	Co-Sec	June 23
1.2	Board of Directors	Approve	Co-Sec	Nov 23
2	Risk Committee	Recommend	Co-Sec	Oct 24
2	Board of Directors	Approve	Co-Sec	Nov 24
3.0	Board Risk Committee	Recommend	Co-Sec	Oct 25 & Dec 25
3.0	Board	Approve	Co Sec	Jan 26

These Terms of Reference are reviewed on an annual basis and will be approved at the end of each financial year in readiness for the year ahead.

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Introduction

The Board Risk Committee (Committee) is a sub-committee of the Hinckley and Rugby Building Society's (The Society) Board of Directors (The Board). The Committee has been established to provide oversight of the Society's risk framework, internal controls, and risk management systems.

1. Membership

- 1.1. The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors.
- 1.2. The Committee shall include the Chair of the Audit and Compliance Committee.
- 1.3. The Committee shall include a member of the Remuneration Committee.
- 1.4. Members shall have appropriate knowledge, skills, and expertise to fully understand risk appetite and strategy. The Committee as a whole shall have competence relevant to the Financial Services/Building Society Sector.
- 1.5. Appointments to the Committee are made by the Board on the recommendation of the Nominations and Governance Committee and in consultation with the Chair of the Board Risk Committee.
- 1.6. Only members of the Committee have the right to attend Committee meetings. However, the Executive Directors, and the holders of SMF 4 and SMF 16 will be invited to attend meetings of the Committee on a regular basis, and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 1.7. The Board shall appoint the Committee Chair. In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

The Company Secretary, or their nominee, shall act as the 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 issues.

3. Quorum

The quorum necessary for the transaction of business shall be two members.

- 3.1 A decision of the Committee may be taken by written resolution or via electronic means. A decision in this instance will be valid only if taken by a quorum as set out in the Terms of Reference.
- 3.2 The members of the Committee shall be deemed to meet together if they are in separate locations, but are linked by conference telephone, video or other communication equipment. For the avoidance of doubt, a quorum in such event shall be as set out in 3 above. Such a meeting shall be deemed to take place where the largest group of members of the Committee participating is assembled or, if there is no such group, where the Chair of the meeting is located.

4. Frequency of meetings

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

5. Notice of meetings

- 5.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair, any of its members, or the Chief Risk Officer (CRO).
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time, and date, 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 six clear calendar days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

6. Minutes of the meeting

- 6.1. The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those members present and those in attendance.
- 6.2. Draft minutes of Committee meetings shall be circulated to all Executive Directors and members of the Committee. The minutes will be approved at the following meeting.

7. Engagement with members

- 7.1. The Committee Chair should attend the Annual General Meeting to answer any member questions on the Committee's activities.

8. Duties

Risk appetite, tolerance, and strategy

- 8.1. The Committee will advise the Board on the Society's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Society is willing to take in order to achieve its long-term strategic objectives.
- 8.2. Review and assess the Society's risk appetite statements at least biannually to ensure that the Statements adequately identify all the key risks faced by the Society and that for those risks there are appropriate management responses.
- 8.3. Advise the Board on the likelihood and the consequence of principal risks crystallising, and the controls in place to reduce the likelihood or consequence.
- 8.4. Ensure that there is a risk culture of open discussion, which is forward looking, and which fosters the prompt identification of crystallised, horizon and emerging risks and their effective mitigation and management.
- 8.5. Review risk appetite metrics at each meeting and assess annual trends and issues.
- 8.6. Consider whether prices of liabilities and assets offered to customers take fully into account the Society's business model and risk strategy.
- 8.7. Annually consider the independent view via the CRO risk adjustment remuneration paper relating to any undue risks taken by the Society and propose any risk adjustment to the Remuneration Committee in line with SYSC 19 remuneration principle 8

Risk Management Framework

- 8.8. The Committee shall review and recommend to the Board the Risk Management Framework (RMF).
- 8.9. Review the Society's risk approach, including ensuring that adequate resources are allocated to the management of all material risks between the 3 lines of defense, and that these functions have the required level of skills, experience, and capabilities that it needs to support the Society in the achievement of its risk approach and objectives.
- 8.10. Review and challenge the top risks of the Society, based on the Risk Register.
- 8.11. Ensure that either the Society is operating within its risk appetite and risk limits in the various aspects of its business, or that management is taking appropriate mitigating actions where the risk appetite or risk limits have been or are at risk of being breached.
- 8.12. Oversee the adequacy and effectiveness of the Society's processes and procedures to manage risk, including the design, implementation, and effectiveness of those systems.
- 8.13. Assess the Society's capability to identify, assess, monitor, and manage new and emerging risks.
- 8.14. Monitor and review the effectiveness of the Society's risk management and internal control systems and report the assessment of the findings to the Board.
- 8.15. Review and consider adequacy of reporting on the Society's principal risks as outlined in the risk management framework
- 8.16. Assess MI relating to Outsourcing and Third-Party Risk Management and review all new material outsourced suppliers against the Outsourcing and Third-Party Framework, and if satisfied, approve notification to the regulator and the addition to the outsourcing register.

Risk Management Policy and Documentation.

8.17. To review, recommend or approve in line with the Society's Policy Framework:

- 8.17.1 ILAAP
- 8.17.2 ICAAP (including Reverse Stress Testing)
- 8.17.3 Model Risk Management Policy
- 8.17.4 Financial Risk Management Policy
- 8.17.5 Conduct Risk Policy
- 8.17.6 Change Management Policy
- 8.17.7 Information Security Policy
- 8.17.8 Third-Party and Outsourcing Policy
- 8.17.9 Financial Crime Policy
- 8.17.10 Lending Policy
- 8.17.11 Operational Resilience Policy
- 8.17.12 Financial Support Policy
- 8.17.13 Data Protection Policy
- 8.17.14 Privacy Policy inc. children
- 8.17.15 The Recovery Plan
- 8.17.16 Resolution Pack
- 8.17.17 Business Wide Financial Crime Risk Assessment

9 Reporting Responsibilities

- 9.1 Receive and consider the Chair summary reports from Assets and Liabilities Committee, Credit Risk Committee and the Business Risk and Control Committee
- 9.2 Consider reporting or advice from the Audit and Compliance Committee or Internal Audit function concerning the effectiveness of the Society's control framework.
- 9.3 Report on the appropriateness of the Society's risk culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the company.
- 9.4 Review and approve the statements to be included in the annual report concerning risk management.
- 9.5 Report on how the Committee has discharged its duties in the Annual Report and Accounts.

10 Other Matters

- 10.1 The Chair will lead the annual performance evaluation of the Committee.
- 10.2 The Committee will ensure the CRO's right to direct access to the Chair of the Board and directly to the Committee.
- 10.3 Hold a meeting with the CRO, at least annually, with Committee members only.

11 Authority

- 11.1 These Terms are the responsibility of the Board and cannot be delegated.
- 11.2 These Terms will be reviewed and approved on an annual basis.
- 11.3 The Committee is a Committee of the Board and has delegated authority from the Board to which it regularly reports in respect of its functions and responsibilities as set out in these Terms of Reference.
- 11.4 The Committee may sub-delegate any or all of its powers and authority as it sees fit,

including, without limitation, the establishment of sub-committees to analyse particular issues and to report back to the Committee.

- 11.5 The Committee has authority to oversee any investigation of activities relating to the Society which are within these Terms of Reference.
- 11.6 The Committee is authorised to seek any information it requires from any employee of the Society in order to perform its duties or call any employee to be questioned at a meeting of the Committee as and when required.
- 11.7 The Committee may obtain, at the Society's expense, external legal or other professional advice on any matter within these Terms of Reference.
- 11.8 The Committee Chair and the Society Secretary are authorised by the Board to review and approve any non-material change required to be made to these Terms of Reference. Any such change shall be reported to the Board.