



The Stafford Building Society

Risk Committee

Terms of Reference

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Terms of Reference

1. Purpose

The principal functions of the Risk Committee are to:

- 1.1 Advise the Board on the overall risk appetite, tolerance and strategy and reviews certain policies. In particular, the Committee monitors and reviews the consolidated risk picture across the Society;
- 1.2 Consider the principal and other risks set out in Section 8.1. The risks are identified and recorded in the Risk Register which is reviewed and monitored to ensure compliance with the Board's Risk Appetite and achievement of the Corporate Plan;
- 1.3 Receive standing reports on the Risk Register along with detailed risk MI that enables it to track performance against the risk appetite;
- 1.4 Ensure the ongoing development and maintenance of the stress testing that underpins the Internal Capital Adequacy Assessment Process ('ICAAP'), the Internal Liquidity Adequacy Assessment Process ('ILAAP') and Recovery Plan ('RP'); and
- 1.5 Ensure the ongoing development and maintenance of the Risk Management Framework ('RMF').

2. Membership

- 2.1 The Committee shall comprise independent Non-Executive Directors. Membership shall include the Chair of the Board. The Board shall appoint members of the Committee. Members of the Committee shall be appointed annually by Board in consultation with the Chair of the Risk Committee. The Executive Directors attend by invitation.
- 2.2 Only members of the Committee have the right to attend Committee meetings. Other individuals such as Senior Managers, Internal and External Audit may be invited to attend all or part of any meeting as and when appropriate and necessary. Other Non-Executive Directors may attend all or part of any meeting with prior consent from the Chair.
- 2.3 Appointments to the Committee shall be for a period of one year, which may be extended for further periods of up to five years, provided the Director still meets the criteria for membership of the Committee.
- 2.4 The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director. 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.

3. Secretary

- 3.1 The Executive Directors' Personal Assistant shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable a full and proper consideration to be given to the issues on the agenda.

4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be three 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.
- 4.2 A majority of votes shall decide all matters. Every member present, including the Chair shall have one vote. In the event of a tie, the Chair shall have a second and casting vote.

5. Frequency of Meetings

5.1 The Committee shall meet a minimum of five times a year at appropriate times and otherwise as required.

6. Notice of Meetings

6.1 The Secretary, in accordance with the agreed annual agenda schedule agreed shall call meetings of the Committee. Additional meetings may be called by any Committee member or at the request of the Chief Executive if he or she considers it necessary.

6.2 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, any other person required to attend, no later than five working days before the date of the meeting. All supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6.3 Members of the Committee may participate in a meeting by means of Microsoft Teams (or equivalent), that is, 'virtually' where all persons participating can hear each other at the same time. Participation by such means shall constitute presence at a meeting.

7. Minutes of Meetings

7.1 The Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.

7.2 The draft minutes will be circulated promptly to the Chair of the Committee. Once reviewed, the minutes should be circulated to all other members of the Committee. The Secretary shall record any conflicts of interest declared at the meeting.

7.3 Once approved, the minutes should be submitted to the Board for noting unless it would be inappropriate to do so.

8. Duties

The Committee shall:

<u>Responsibility</u>
<p>Risk Identification</p> <ul style="list-style-type: none">Identify the key risks facing the Society and determine their importance given their potential impact and likelihood of occurrence. The key risks are listed below: Business Risk ('Capital, Product Development, and Environmental Social and Governance ('ESG')); Operational (Risk and Resilience); Climate Change; Treasury Counterparty and Mortgage Credit; Liquidity and Funding; Structural and Interest Rate; Conduct; People; Financial Crime; and Information Technology and Data (quality, capture, accuracy and security) via the IT Committee.And ensure that the Society's response to all identified key risks is appropriate.
<u>Responsibility</u>
<p>Strategy and Management</p> <p>Review and Recommend for Approval the:</p> <ul style="list-style-type: none">Risk strategy, including the oversight of current risk exposures, with particular, but not exclusive, emphasis on prudential risks.Proposed strategic actions including, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for risk appetite and tolerance and taking independent external advice where appropriate and available.

Oversight and Challenge on the: <ul style="list-style-type: none"> Day-to-day risk management and oversight arrangements of the Executive. Achievement of the Society's Operational Resilience Project by 2025. Society's adhere to Consumer Duty obligations.

<u>Responsibility</u>

<p>Risk Management and Internal Controls</p> <p>Review and Recommend for Approval the:</p> <ul style="list-style-type: none"> Risk Appetite Statement (including the format of the Risk Dashboard), taking account of the current and forecast macroeconomic, climate and financial environment drawing on Regulator assessments such as those published by the Bank of England, the Prudential Regulation Authority ('PRA') / Financial Conduct Authority ('FCA'); Risk Register keeping under review the internal financial controls, risk management systems and the Society's capability to identify and manage new risk types. Remit of the Risk Management function and ensure it has adequate resources and appropriate access to information and systems to enable it to perform its function effectively and independently in accordance with the relevant professional standards. Society's suite of stress testing including of liquidity, capital (including climate change), scenario analysis and reverse stress testing. First and Second Level key policies as outlined by the Society Risk Management Framework including Recovery Plan, ICAAP, ILAAP including their associated stress testing and Operational Risk and Resilience. Overall effectiveness / appropriateness of management information and sourcing systems.
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<u>Responsibility</u>

<p>Risk Assessment (subject to overlap with the Audit Committee)</p> <p>Review and Recommend for Approval the:</p> <ul style="list-style-type: none"> Overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used; Parameters used in these measures and the methodology adopted; and Standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance. Reports on any material breaches of risk limits and the adequacy of proposed action.
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<u>Responsibility</u>

<p>Conduct and Culture</p> <p>Provide Advice and Challenge to:</p> <ul style="list-style-type: none"> Embed and maintain a supportive risk culture throughout the Society. Quarterly conduct management information.

9. Reporting Responsibilities

The Committee Chair shall:

- 9.1 Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 Produce a report of its activities and the Society's risk management objectives, policies and strategy to be included in the Society's Annual Report and Accounts including in relation to financial instruments..

10. Other Matters

The Committee shall:

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the Secretariat for assistance as required.
- 10.2 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.
- 10.3 Give due consideration to laws and regulations, the provisions of the Code and the requirements of any other applicable rules as appropriate.

- 10.4 Oversee any investigation of activities which are within its Terms of Reference.
- 10.5 Arrange for periodic reviews of its own performance and effectiveness and, at least annually, review its constitution and Terms of Reference in order that changes are made in line with the developing risk environment and good practice and recommend any changes it considers necessary to the Board for approval.

11. Authority

The Committee is authorised by the Board to:

- 11.1 Seek any information, it requires from any employee of the Society in order to perform its duties.
- 11.2 Obtain, at the Society’s expense, external legal or other professional advice on any matter within its Terms of Reference.
- 11.3 Request the attendance of any employee at a meeting of the Committee as and when required.

12. Annual General Meeting (‘AGM’)

- 12.1 The Committee Chair should attend the AGM to respond to questions from members on the Committee’s activities.

13. Rapid Response Protocol

- 13.1 The Rapid Response Protocol seeks to facilitate decision making between meetings, whereby a minimum quorum must be present, either in person or over the phone. The Protocol is typically applied between meetings when, for example, the bank base rate changes; unexpected regulatory or legislative announcements occur; there is a material change in the housing market or economic outlook; or, the credit quality of a counter-party changes.
- 13.2 All decisions made under the Rapid Response Protocol are to be ratified at the following Risk Committee meeting.

<u>Date</u>	<u>Version</u>	<u>Summary of Changes Made</u>	<u>Changes Made By</u>
05/10/2022	2022V1	Annual Review and Update	Head of Risk
18/10/2022	2022V1	Annual Review by Risk Committee	Risk Committee
12/12/2022	2022V2	Further Review by Risk Committee	Risk Committee
17/01/2023	2022V3	Board approval	Board