

Board Risk Committee Terms of Reference

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1. Purpose

The Nottingham's Board Risk Committee (the Committee) is a sub-committee of the Board of Directors, responsible for reviewing and monitoring The Nottingham's Risk Management Framework, Risk Appetite and internal control systems and, at least annually, carrying out a review of their effectiveness, and reporting on that review in the Annual Report and Accounts.

The Committee performs its role by ensuring that:

- the accountability and responsibility for managing risk is clearly defined;
- the risk culture of The Society is defined and embedded;
- the nature and extent of the top risks of The Nottingham are determined and understood;
- appropriate risk appetites are defined and documented;
- The Nottingham, at all times, operates within stated risk appetites;
- processes are in place to consistently identify, measure, assess, monitor and control risks;
- The Nottingham is compliant with regulatory requirements;
- adequate financial resources are allocated to support The Nottingham's key risk exposures, both to ensure regulatory compliance and the achievement of strategic objectives;
- The Nottingham maintains an up to date and adequate Recovery & Resolution Plan which fully reflects the requirements of the Board and Financial Regulators; and
- there is oversight that The Society's Risk Management Framework is functioning appropriately.

2. Scope

The Committee's remit covers The Nottingham, comprising The Nottingham Building Society and its subsidiary companies Nottingham Property Services Limited, Nottingham Mortgage Services Limited, Harrison Murray Limited and HM Lettings Limited.

3. Composition

All members of the Board are also members of the Board Risk Committee. This is to ensure that the Board members allocate sufficient time to the consideration of risk issues and to promote consistent understanding amongst all Board members.

Role and SMF	Status	Deputy
Non- Executive Director SMF10	Chair	Chairman of the Board
Senior Independent Director SMF14	Member	N/A
Non- Executive Director SMF11	Member	N/A

Role and SMF	Status	Deputy
Non- Executive Director SMF 12	Member	N/A
Non- Executive Director (Notified NED)	Member	N/A
Chairman of the Board SMF9 & 13	Member	N/A
Chief Executive, SMF1	Member	N/A
Chief Financial Officer, SMF2, SMF16 and SMF17	Member	N/A
Chief Risk Officer SMF4	Member	N/A
General Counsel	Non-voting attendee	N/A
Head of Internal Audit, SMF5	Non-voting attendee	N/A
Director of Member Services	Non-voting attendee	N/A
Company Secretary	Secretary	General Counsel or Assistant Company Secretary for Secretariat only

The Chair of the Committee is appointed by the Board from amongst the Non-Executive Directors, following recommendation from the Nominations Committee.

Membership of the Committee is reviewed annually by the Chair together with any changes proposed to the Committee prior to submission for approval by the Board.

In addition to the members and regular invited attendees of the Committee, other attendees may be invited to participate in the Committee proceedings as non-voting attendees. Any member of the Committee may petition the Chair for inclusion of specific individuals to attend a meeting.

All new members of the Committee will be informed of their responsibilities, the role of the Committee and be provided with support and training where deemed necessary by the Chair, or person appointed by the Chair, to ensure they are able to discharge their responsibilities effectively.

4. Quorum

The quorum shall be a minimum of four members, of whom the majority should be Non-Executive Directors but must include one Executive Director.

Quorum requirements should be reviewed annually to reflect any changes in Board membership or roles and responsibilities. A meeting can only be deemed quorate if all

voting members have been invited to attend. Quorum requirements apply to any decisions, with members either meeting in person, by telephone conference or responding via email.

5. Meeting Frequency

The Committee will meet on a minimum of four occasions per annum, and report a summary of the meetings to the subsequent Board meeting on a quarterly basis.

Members of the Committee may also request additional meetings following consultation with the Chair, where appropriate, if the Rapid Decision Protocol is not deemed appropriate.

6. Rapid Decision Protocol

The purpose of the Rapid Decision Protocol is to facilitate decision making outside of the scheduled meetings. Any use of the Rapid Decision Protocol must be agreed with the Chair of the Committee (or in their absence, the Deputy Chair) prior to its use, and circulated by the Committee Secretary (or in their absence, the nominated deputy).

Any decisions or approvals made using this protocol are to be submitted to the next scheduled committee meeting, accompanied by a summary of events and the final decision, for inclusion in the minutes.

7. Authority

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. While the Board is ultimately responsible for risk and governance throughout the business, the Board Risk Committee provides oversight, challenge, support and advice on risk and risk governance.

The Board has delegated the responsibility for the design and implementation of appropriate risk management and internal control systems to the Board Risk Committee. Whilst the Committee reviews implementation of The Nottingham's Risk Management Framework along with its associated risk management and internal control policies and related documents (as detailed in the Board Delegated Authority) it also has responsibility for overseeing the Risk identification and mitigation plans within the Society.

The Terms of Reference of the Board Risk Committee and any material amendments must be approved at least annually by the Board.

7.1. Exceptions

The Committee will review and approve exceptions to policy under its authority as prescribed by the specific policy in question or the wider Risk Management Framework (see section 8 below).

Policy dispensations are submitted in writing to the Committee for approval, stating:

- the relevant policy or specific requirement(s) for which the dispensation is being requested;
- what is being done instead of following the policy (i.e. the variation);
- the impact of the dispensation; and

- the requested time period for the dispensation.

Policy breaches or agreed exceptions are to be reported to the Committee through the relevant management information report as prescribed by the policy in question.

Where the Committee does not have the authority to approve exceptions to a policy (for example, policies owned by the Board), then it will review the exception and, if appropriate, recommend acceptance to the Board.

7.2. Voting

Each member of the Committee is entitled to a single vote, which can be cast either in person at the meeting, or by email addressed to the Chair of the Committee, prior to the meeting.

Approval requires a simple majority. In the event of an evenly split vote, the Chair has the option to exercise a casting vote. Committee members may not delegate their vote to a deputy and attendees are not entitled to vote. The minutes should reflect all Committee decisions, whether there had been a vote or not.

8. Approvals and Responsibilities

8.1. Approvals

The following documents are submitted to the Committee for approval:

Brief Description	Details	Frequency
Board Risk Policy and Board Risk Appetite	Committee to review and recommend to Board for approval.	Minimum annually
Risk Category Policy and Appetite Statements	Committee to review and approve.	Minimum annually
Risk Management Framework	Committee to review and approve.	Minimum annually
Executive Risk Committee Terms of Reference	Review and approve Executive Risk Committee Terms of Reference in line with the Board Delegated Authorities.	Minimum annually
Board Approved (“Type A”) policies	Committee to review and approve, or recommend to Board for approval, where governed by specific policy requirements.	Minimum annually
Internal Liquidity Adequacy Assessment Process (ILAAP)	Committee to review and approve.	Minimum annually
Internal Capital Adequacy Assessment Process (ICAAP)	Committee to review and approve	Minimum annually
Recovery and Resolution Plan (RRP)	Committee to review and approve.	Minimum annually
Compliance Monitoring Plan	Approve the annual Compliance Monitoring Plan.	Annually
Risk Assurance Plan	Approve the annual schedule of Risk assurance reviews	Annually

Brief Description	Details	Frequency
Board Risk Committee Terms of Reference	Committee to receive, review and recommend to Board for approval	Minimum annually
Board Risk Committee Effectiveness	Committee to review its effectiveness against its Terms of Reference and report any findings and recommendations to the Board	Annually

8.2. Responsibilities

In addition to the responsibilities outlined in section 8.2.2 below, The Committee is also required to:

8.2.1 - undertake a review of the following from Executive Risk Committee (at the frequency specified):

Brief Description	Details	Frequency
Group Risk Register	Committee to receive and review	Quarterly
First-line Risk Report	Committee to receive and review	Quarterly
Legal and Regulatory Report	Committee to receive and review	Quarterly
CRO Report	Committee to receive and review	Quarterly
Level 3 Risk Committees Effectiveness Report	Committee to receive and review	Annually
Health & Safety Board Report	Committee to receive and review	Annually

8.2.2 - the Committee's responsibilities include:

Brief Description	Details
Risk Management Framework	Approve the Nottingham's Risk Management Framework which outlines how management will control, manage and report its adherence to the Board's approved risk policies and risk appetite statements as well as adherence to legal and regulatory obligations and

Brief Description	Details
	requirements.
Risk Policies and related Appetite statements	Oversee the development and implementation of the Board Risk Policy and Board's Risk Appetite Statement to ensure it remains fit for purpose, relevant to the business model aligned with strategy and in line with regulatory and corporate governance requirements. Recommend the Board's Risk Appetite Statement and Board Risk Policy to the Board for approval.
Risk Category Policies and related Risk Category Appetite statements	Oversee the development and implementation of individual Risk Category Policies and related Risk Appetite Statements, ensuring they remain fit for purpose, relevant to the business model aligned with strategy and in line with regulatory and corporate governance requirements. Recommend the Risk Category Policies and Risk Appetite Statements to the Board for approval.
Emerging & Future Risks	Monitor and consider all significant emerging and future risks that pose a threat to The Nottingham's business model and strategy, highlighting any impact these may have in its ability to continue to operate within Board approved policies and appetites.
Risk Culture	Ensuring The Nottingham has an appropriate risk culture aligned to its business strategy, values and people strategy; validating that its approach to reward and remuneration is appropriate. This includes supporting the Board to ensure that adequate risk measures are reflected in The Nottingham's KPI's.
Capital and Liquidity Adequacy	Ensuring adequate capital and liquidity is maintained for The Nottingham's key risk exposures, both to ensure regulatory compliance and the achievement of its strategic objectives. This will be achieved through the approval of the Internal Capital Adequacy Assessment Process document (plus any associated appendices) and the Internal Liquidity Adequacy Assessment Process document (plus any associated appendices).
Recovery & Resolution Plan	Ensure that The Nottingham maintains an up to date and adequate Recovery & Resolution Plan which fully reflects the requirements of the Board and Financial Regulators

Brief Description	Details
Stress and Scenario tests	<p>Ensure that the approach to Stress and Scenario testing utilised throughout the Risk Management Framework is appropriate, fit for purpose and robust.</p> <p>Ensure that the results are reviewed and the required actions for reverse stress testing on the Society's Business Plan are taken and measures are designed to prevent or mitigate the risk of business vulnerabilities.¹</p>
ERC committee oversight & effectiveness	<p>Ensuring the ERC is effective in discharging its accountabilities to manage its responsibilities.</p> <p>Ensure an annual review ERC's effectiveness against its terms of reference is undertaken, Any conclusions/recommendations to be presented to the Board Risk Committee including any actions resulting from the review.</p>
Risk Monitoring and Reporting	<p>Ensure that the monitoring and reporting received from ERC is adequate to safeguard the effective operation of the Risk Management Framework and control of all associated policies and risk appetites.</p>

¹ Chapter 15 of the Internal Capital Adequacy Assessment.

Brief Description	Details
Support Senior Manager Function	Assist the Senior Manager Function (SMF) role holders in fulfilling the following Prescribed Responsibilities: <ul style="list-style-type: none"> • (d) for the firm’s policies and procedures for countering the risk that the firm might be used to further financial crime. • (k) for safeguarding the independence of, and overseeing the performance of, the Compliance function, including the performance of a person approved by the FCA to perform the oversight function on behalf of the firm, in accordance with SYSC 6.1 (Compliance). • (l) for safeguarding the independence of, and overseeing the performance of, the Risk function, including the performance of a person approved to perform the Chief Risk function on behalf of the firm, in accordance with SYSC 7.1.21-22R (Risk control). • (r) for developing and maintaining the firm’s recovery resolution plan and for overseeing the internal processes regarding its governance. • (s) for managing the firm’s internal stress tests and ensuring the accuracy and timeliness of information provided to the PRA and other regulatory bodies for the purposes of stress testing. • (w) if the firm does not have a person who performs the Chief Risk Function, responsibility for compliance of the firm’s risk management systems, policies. • (z) for the firm’s compliance with the Client and Asset Sourcebook (CASS).
Board Risk Committee Terms of Reference	Undertake a review, at least annually and recommend to Board for approval.
Board Risk Committee Effectiveness	Review its own effectiveness against these terms of reference and report its conclusions to the Board including any actions resulting from the review.

In carrying out their risk governance responsibilities, the Board Risk Committee should have regard to any relevant advice from the Audit Committee or Internal Audit function concerning the effectiveness of The Society’s current control framework. In addition, it should remain alert to the possible need for expert advice and support on any risk issue, taking action to ensure that it receives such advice and support as may be necessary to meet its responsibilities effectively.

9. Secretariat

The Company Secretary will act as Secretary for the Committee and be responsible for maintaining meeting minutes. The Secretary will ensure that all follow-up actions are appropriately assigned and monitored.

The Secretary will ensure that all items included within the Terms of Reference are covered as standard agenda items within Committee meetings with clear signposting of status and action for the Committee for each item. The Secretary in conjunction with the Chair and Chief Risk Officer shall draw up an agenda which shall be circulated prior to the meeting to each member of the Committee and to any other attendees.

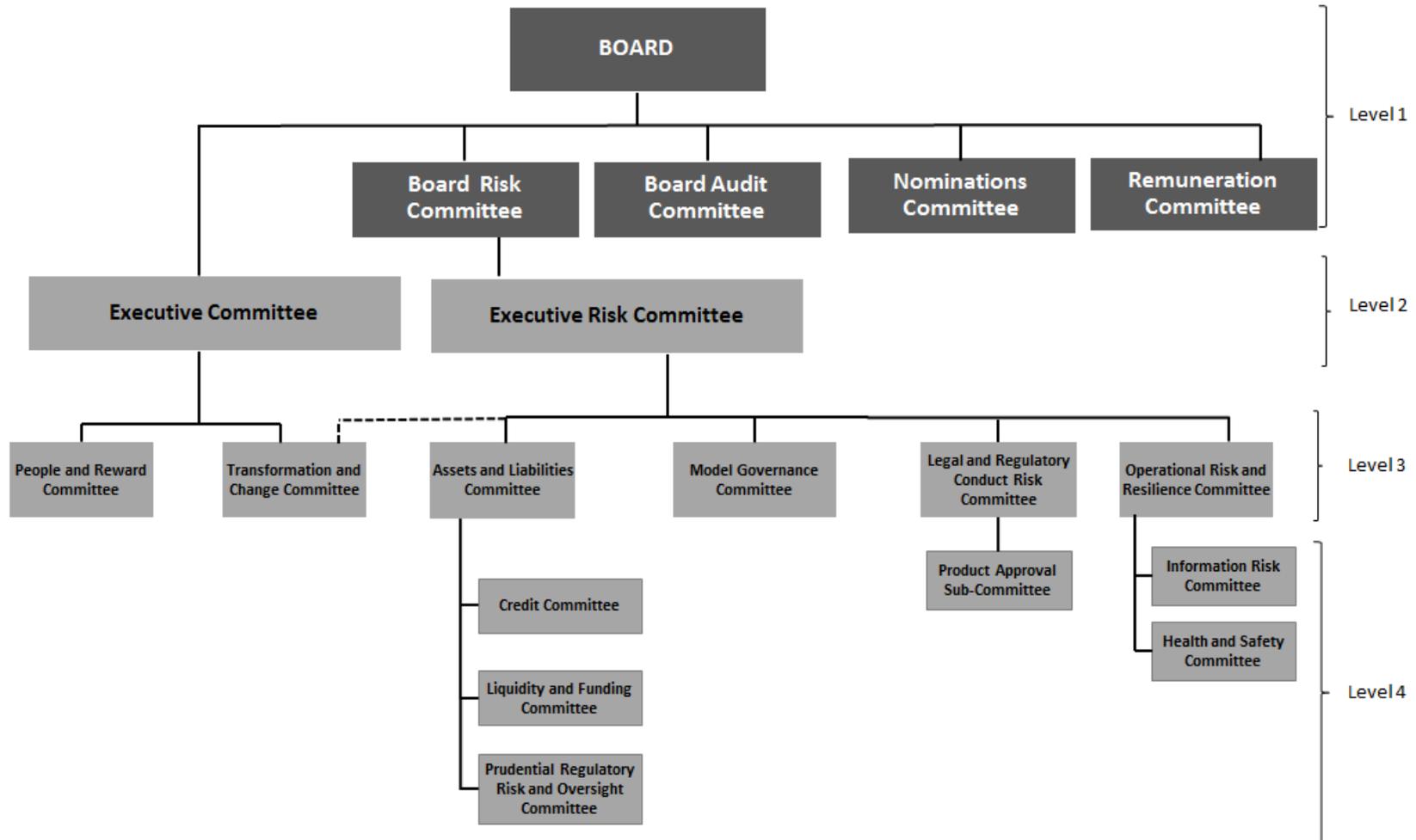
The Secretary shall be responsible for the collation and circulation of relevant reports to Committee Members and other attendees in sufficient time for papers to be reviewed.

The Company Secretary will facilitate an annual effectiveness review of the Committee, including a review of meeting content, terms of reference and composition.

10. Minutes

Committee decisions and discussions will be evidenced by minutes which, after approval by the Chair, will be circulated to the Committee members and nominated attendees in sufficient time to allow completion of the actions.

11. Organisation



12. Document Version History

Date	Author	Version	Notes
21/06/2016	P Couchman	V2016.1.2	Final Board approved version
30/10/2017	R Kolebuk	V2017.1.3	Updated to include ExCo and annual review
19/07/2018	S Bolton	V2018.1.4	Updated to include Chief Risk Officer
31/12/2018	J Stevens		Updated to reflect the governance review of December 2018.
17/01/2019	C Roe	V2019v01	Updated to reflect the feedback from EXCo
21/01/2019	C Roe	V2019v01a	Updated to reflect additional comments from EXCo

13. Glossary

Date	
SMF 1	Chief Executive
SMF 2	Chief Finance function
SMF 3	Executive Director
SMF 4	Chief Risk function
SMF 5	Head of Internal Audit
SMF 9	Chairman
SMF 10	Chair of the Risk Committee
SMF 11	Chair of the Audit Committee
SMF 12	Chair of the Remuneration Committee
SMF 13	Chair of the Nominations Committee
SMF 14	Senior Independent Director
SMF 16	Compliance Oversight

SMF 17	Money Laundering Reporting
ERC	Executive Risk Committee
BRC	Board Risk Committee