

# **Nottingham Building Society (“Society”)**

## **Board Risk Committee**

### **Terms of Reference**

#### **1. Membership**

1.1 The committee shall comprise at least four members, all of whom shall be independent non-executive directors. The committee shall include at least one member of the board audit committee and one member of the remuneration committee. 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 sector in which the Society operates.

1.2 Members of the committee shall be appointed by the board on the recommendation of the nomination committee and in consultation with the chair of the committee.

1.3 Only members of the committee have the right to attend committee meetings. However, the Chief Executive Officer, Chief Finance Officer, Chief Risk Officer and Chief Customer Officer shall be expected 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.

1.4 The board shall appoint the committee chair. In the absence of the committee chair at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

#### **2. Secretary**

The Society 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. The quorum can comprise members of the committee attending in person or by telephone or online. A meeting can only be deemed quorate if all members have been invited to attend.

#### **4. Frequency of meetings**

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

#### **5. Notice of, and voting at, meetings**

5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members, or at the request of the Chief Risk Officer if they consider it necessary.

5.2 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 working 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.

5.3 Each member of the committee is entitled to a single vote, which can be cast either in person at the meeting, or verbally (if joining by telephone or online).

5.4 Approval requires a simple majority. In the event of an even split vote, the chair or acting deputy has the option to exercise a casting vote. The minutes should reflect all committee decisions, and specifically identify votes that are not unanimous.

#### 5.5 Rapid Decision Protocol

5.5.1 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 nominated deputy) prior to its use, and circulated by the committee secretary (or in their absence, the nominated deputy) to all members and non-voting attendees of the committee.

5.5.2 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.

### 6. Minutes of meetings

6.1 The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.

6.2 Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all members of the board unless, exceptionally, it would be inappropriate to do so.

### 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. In addition the committee chair should seek engagement with members on significant matters related to the committee's areas of responsibility.

### 8. Duties

The committee should have oversight of the Society and its subsidiary undertakings (“Group”) as a whole and, unless required otherwise by regulation, carry out the duties below for the Group as a whole, as appropriate.

## 8.1 Risk appetite, tolerance and strategy

The committee shall:

8.1.1 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.

The committee should seek assurance on the risks the Society identifies as those to which the Society may be exposed, including the Society’s principal risks as referenced in the Board Risk Policy and Risk Management Framework.

8.1.2 Advise the board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.

8.1.3 Advise the board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Society, and taking independent external advice where appropriate and available.

8.1.4 Review and recommend or approve (as specified) at least annually the Society’s:

- Board Risk Policy - committee to recommend to board for approval
- Type A policies (as defined in the Risk Management Framework) - committee to approve
- Risk Management Framework - committee to approve
- ILAAP – committee to approve
- ICAAP - committee to approve
- Recovery & Resolution Plan - committee to approve
- The risk elements of the Pillar 3 disclosure document – committee to recommend to board for approval
- The committee’s terms of reference - committee to recommend to board for approval
- The Executive Risk Committee’s terms of reference - committee to approve
- Annual Second Line Assurance Plan – committee to approve

8.1.5 Review regular reports from the Chief Risk Officer and the adequacy and effectiveness of the Society’s risk management systems and controls.

8.1.6 Review regular reports from the Head of Financial Crime and the Money Laundering Reporting Officer and the adequacy and effectiveness of the Society’s anti-money laundering systems and controls.

8.1.7 Review regular reports from the Head of Compliance and the DPO and keep under review the adequacy and effectiveness of the Society’s compliance function.

## 8.2 Narrative reporting

The committee shall carry out the following duties to assist the board in fulfilling its reporting responsibilities in the annual report and accounts.

8.2.1 Monitor and review the effectiveness of the Society's risk management and internal control systems.

8.2.2 Review the Society's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the board's assessment of principal and emerging risks.

8.2.3 Review and assess the Society's risk appetite and associated stress testing.

8.2.4 Evaluate the Society's principal risks, to be taken into account by the board when assessing the Society's prospects.

8.2.5 Review and approve the statements to be included in the annual report and accounts concerning internal controls and risk management.

8.3 Internal controls and risk management systems

The committee shall oversee and seek suitable assurance regarding:

8.3.1 The risk exposures of the Society, including risk to the Society's business model, and solvency and liquidity risks.

8.3.2 The adequacy and effectiveness of the Society's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems.

8.3.3 The ability of the Society's risk management and internal control systems to identify the risks facing the Society and enable a robust assessment of principal risks.

8.3.4 The Society's capability to identify and manage new and emerging risks.

8.3.5 The effectiveness and relative costs and benefit of particular controls.

8.3.6 The effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary.

8.3.7 The effectiveness of the Society's control framework for the identification, management and reporting of climate related risks.

8.3.8 The Society's ability to reduce the likelihood of principal risks materialising and the impact on the Society of risks that do materialise.

8.3.9 The appropriateness of the Society's values and 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 Society.

8.3.10 The Chief Risk Officer's right of direct access to the chairman of the board and to the committee.

9. Reporting responsibilities

9.1 The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

9.2 The committee shall provide advice to the remuneration committee on any risk weightings to be applied to performance objectives incorporated in the incentive structure for executive remuneration and make recommendations to the remuneration committee on clawback provisions.

9.3 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

9.4 The committee shall compile a report of its activities to be included in the Society's annual report and accounts, describing the work of the committee.

9.5 The committee shall review the Society's identification, management and reporting of climate related risks and report on the effectiveness of risk management of climate change to the board.

## 10. Other matters

The committee shall:

10.1 Have access to sufficient resources in order to carry out its duties, including access to the Society secretariat for advice and 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 all relevant laws and regulations.

10.4 Oversee any investigation of activities which are within its terms of reference.

10.5 Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls on the work of other committees.

10.6 Ensure that a periodic evaluation of the committee's performance is carried out.

10.7 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

## 11. Authority

The committee is authorised to:

11.1 Request the attendance of any employee at a meeting of the committee and/or seek any information it requires from any employee of the Society in order to perform its duties.

11.2 Delegate any matter or matters to another committee or person(s) as it deems appropriate.

11.3 Obtain, at the Society's expense, independent legal or other professional advice on any matter within its terms of reference if it believes it necessary to do so.