

RISK AND COMPLIANCE COMMITTEE

TERMS OF REFERENCE

Purpose

The principal role of the Committee is to assist the Board in its leadership and oversight of risk across the Society and its subsidiary companies, including the understanding and, where appropriate, optimisation of current and future risk strategy, overall risk appetite and tolerance, risk management framework including risk policies, process and controls, oversight of regulatory compliance and the promotion of a risk awareness culture throughout the Society.

Membership

Members of the Committee shall be appointed by the Board in consultation with the Chair. The Committee shall be made up of all members of the Board.

Only members of the Committee have the right to attend Committee meetings. However, other individuals including representatives of the risk function, compliance, and internal and external audit may be invited to attend all or part of any meeting as and when deemed appropriate and necessary by the Board or its Risk & Compliance Committee.

Appointments to the Committee shall be subject to annual review.

The Board shall appoint the Chair who shall be an Independent Non-Executive Director. In the absence of the Chair, the remaining members of the Committee present shall elect one other Independent Non-Executive Director to chair the meeting. The Chair of the committee shall have a casting vote.

Administration

Secretary - The Society Secretary or a nominee agreed by the Chair shall act as the Secretary.

Quorum - The quorum necessary for the transaction of business shall be three committee members of which two shall be Independent Non-Executive Directors.

Frequency of meetings - The Committee shall meet at least four times a year at appropriate times and otherwise as required.

Notice of meetings - Meetings of the Committee shall be summoned by the Secretary at the request of any of its members.

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 five days before the date of the meeting. The agenda shall be circulated together with relevant supporting papers to Committee members and to other attendees as appropriate.

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

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, the minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chair of the Risk & Compliance Committee.

Duties

The Committee shall:

- 1 Make recommendations to the Board concerning the Society's overall risk appetite, tolerance, risk framework and strategy, and policies, including capital management. The committee shall take account of the current and prospective financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities and other authoritative sources that may be relevant for the Society's risk policies.
- 2 Monitor, and advise the Board on, the current risk exposures of the Society and future risk strategy.
- 3 Oversee and provide input and challenge to the production of the Society's ORSA, and related stress tests, and make recommendations to the Board.
- 4 Monitor and review the Society's management of the financial risks of climate change; report to the Board concerning the effectiveness of the Society's governance, risk management, risk scenarios and disclosures for managing the financial risks of climate change, and make recommendations to inform the Board's strategy and decision-making.
- 5 In relation to risk assessment and subject to overlap with the Audit Committee:
 - a) Keep under review the Society's overall risk framework and assessment process that informs the board's decision making, ensuring both qualitative and quantitative metrics are used;
 - b) Review regularly and approve the parameters used in these measures and the methodology adopted; and
 - c) Set a standard for accurate and timely monitoring of large exposures and certain risk types of critical importance
- 6 Review the Society's capability to identify and manage new risks and risk types, in conjunction with the Audit Committee.
- 7 Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including significant acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Society, and taking independent external advice where appropriate and available.
- 8 Review reports on any material breaches of risk appetite and risk limits and the adequacy of proposed actions, ensuring that matters are reported appropriately to the Board
- 9 Keep under review the effectiveness of the Society's internal controls and risk management systems and review and approve the statements to be included in the annual report concerning internal control and risk management.
- 10 Provide qualitative and quantitative advice to the remuneration committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
- 11 Keep under review the Society's compliance with statutory and regulatory requirements. Receive reports on risk and compliance issues from any of the Society's business units as may be appropriate.



- 12 Identify material risks to be addressed by contingency plans and review, update, and test the contingency plans on a regular basis.
- 13 In relation to Conduct Risk ensure that the Society's internal controls and systems take into account the need to mitigate the risk of detriment to the Society's members.
- 14 In relation to financial crime, review the Society's procedures for the prevention and detection of fraud, bribery, corruption, money laundering and cyber crime.
- 15 Consider and approve the remit of the risk management and compliance functions and ensure they have adequate resources and appropriate access to information to enable them to perform their functions effectively and in accordance with the relevant professional standards. The committee shall also ensure the functions have adequate independence and are free from management restrictions and other restrictions.
- 16 Review promptly all reports on the Society from the risk and compliance functions and approve the annual risk and compliance plans.
- 17 Review and monitor management's responsiveness to the findings and recommendations of the risk and compliance functions.
- 18 Ensure that the risk and compliance functions have direct access to the Chair and other members of the Committee and the Chair and other members of the Committee have direct access to the risk and compliance functions.
- 19 Meet periodically with the Heads of the risk and compliance functions without management being present.
- 20 Make publicly available its Terms of Reference explaining clearly its role and the authority delegated to it by the Board.
- 21 Ensure that the Society maintains an up-to-date Management Responsibilities Map (MRM), reviewing all proposed changes and making recommendations to the Board for approval.

Reporting responsibilities

- a) The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and make available the minutes of each committee meeting.
- b) The Committee shall make whatever reports to the Board it deems appropriate on any area of particular significance within its remit where action or improvement is needed.
- c) The Committee shall make whatever recommendations to the Board it deems appropriate on any area outside its remit where action or improvement is needed.
- d) 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.
- e) The Directors report in the Annual Report and Accounts should set out risk management objectives and policies including in relation to financial instruments.
- f) The Chair of the committee shall attend the Society's Annual General Meeting to answer member questions on the activities of the committee.



Other matters

The Committee shall:

- Be provided by the Society with sufficient resources in order to carry out its duties, including access to the Society's Secretariat for assistance as required.
- Be provided by the Society with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- At least once a year, review its own performance, constitution, composition and terms of reference to assess its operational effectiveness and recommend any changes it considers necessary to the Board for approval.

Authority

The Committee is authorised by the Board:

- To seek any information it requires from any system, employee, contracted party or director of the Society in order to perform its duties.
- To obtain, at the Society's expense, external legal or other professional advice on any matter falling within its terms of reference.
- To call on any employee to attend a meeting of the Committee as and when required.
- To report in the Annual Report any disagreement between the Committee and the Board that cannot be resolved.

Approved by the Board: 20 December 2024