

MELTON MOWBRAY BUILDING SOCIETY GROUP (“THE GROUP”)



RISK COMMITTEE (“THE COMMITTEE”)

TERMS OF REFERENCE

1. CONSTITUTION AND CONDUCT

Composition: Members of the Committee will be appointed by the Board of the Group on the recommendation of the Remuneration & Nominations Committee. It will comprise at least three Non-Executive Directors. At least one member of the Committee will have relevant and recent financial risk management experience and at least one member will also be a member of the Audit & Compliance Committee.

The Board will appoint the Chair of the Committee. In the absence of the Chair the remaining members shall appoint one of themselves to chair the meeting. The Group Secretary will be the Committee’s Secretary.

The Deputy Chief Executive & Finance Director, Chief Risk Officer, Commercial Director, and the Internal Audit provider shall have standing invitations to attend Committee meetings. The Chief Executive will be invited to attend meetings of the Committee if required.

Meetings: The Committee shall meet at least four times a year and otherwise as required.

Quorum: Any two of the three Non-Executive Directors. If two or more Committee members are unable to attend a meeting then other Non-Executive Directors, who are not members of the Committee, may be invited to stand in.
Minutes: Minutes shall be circulated promptly to all members of the Committee and once agreed to all members of the Board.

Reporting: The Chair of the Committee shall:

- be responsible for reporting to the Board and communication with other Committees; and
- be required to attend the Group’s AGM.

2. OVERALL PURPOSE OF THE COMMITTEE:

To ensure that the overall approach to the identification and management of risk is:

- fit for purpose and consistent with the Board’s risk appetite, and,
- carried out cost effectively and in an integrated manner.

The Group has two Executive committee, the Assets and Liabilities Committee (“ALCO”) and the Executive Committee (“EXCO”). ALCO reports into the Risk Committee. EXCO’s primary reporting line is into the Board, with a secondary line into Risk Committee, as determined by the Group’s Risk Management Framework.

3. AUTHORITY

The Committee is authorised by the Board to:

- 3.1. Investigate any activity within its approved Terms of Reference.
- 3.2. Obtain any information that it requires from any employee of the Group.
- 3.3. Call any employee to answer questions at the Committee.
- 3.4. Obtain outside legal or independent professional advice and such advisors may attend meetings as necessary.
- 3.5. Review and report on any other topics requested by the Board.
- 3.6. Approve policies under powers delegated by the Board.

4. RESPONSIBILITIES

The Committee shall:

- 4.1. Ensure that the frameworks developed to identify and manage categories of risk (credit, liquidity, operational, conduct, business) are effective.
- 4.2. Ensure that risk identification, including emergent risks, and management processes are embedded throughout the Group.
- 4.3. Recommend the Group’s Risk Policy & appetite for the different risk categories to the Board.
- 4.4. Monitor the exposure to the different categories of risk that the Group faces and recommend action, where appropriate, to address any exposures that exceed, or may exceed, the agreed risk appetites.
- 4.5. Conduct annual reviews of the following Group’s key documents and policies prior to their recommendation to the Board for approval:
 - (i) ICAAP
 - (ii) Reverse Stress Testing
 - (iii) ILAAP
 - (iv) The Recovery Plan
 - (v) The Resolution Plan
 - (vi) Financial Risk Management Policy
 - (vii) Group Lending Policy
 - (viii) Risk Policy & Appetite
 - (ix) Conduct Risk Policy
 - (x) Stress Test Policy
 - (x) Pillar 3 Disclosures Document – technical review prior to ACC recommendation to Board.

- 4.6. Ensure that all required stress tests are carried out in accordance with current policy.
- 4.7. With the delegated authority from the Board, review and approve on an annual basis:
 - (i) Liquidity Contingency Plan
 - (ii) Arrears Policy
 - (iii) Data Security Policy
- 4.8. Ensure that the Group has sufficient resources to monitor risk effectively.
- 4.9. Review, monitor and act upon the CRO findings and recommendations.
- 4.10. Ensure that variable remuneration payments are only made to Executives in accordance with the risk-based MTIP and Remuneration Policies.
- 4.11. Monitor risk from the subsidiary Nexa and incorporate any such risks into the Committee's risk management activities insofar as they impact the Committee's other responsibilities.

5. COMMUNICATION

- The Society Secretary will circulate the Risk Committee agenda and papers at least one week before the meeting.
- Formal Minutes, approved by the Chairman of the Risk Committee, shall be submitted to the Board following each Risk Committee.
- In each meeting the Committee will receive reports on relevant issues for consideration from:
 - its executive sub-committees (ALCO and EXCO), and
 - the Board, the Audit & Compliance Committee & the Remuneration & Nomination Committee.
- After each Committee meeting the Society Secretary will circulate all Board members and relevant executives with a written summary of key decisions and issues for consideration by the Board and its committees.
- The Chairman will also provide a report on risk management activities at each subsequent Board Meeting.
- A report to Members on the Committee's activities is to be included within the Corporate Governance Report section of the Group's Annual Report.

6. ANNUAL REVIEW

The Committee shall conduct an annual review of its terms of reference and its effectiveness, and report its findings to the Board.