

MELTON MOWBRAY BUILDING SOCIETY GROUP (“THE GROUP”)

RISK COMMITTEE (“THE COMMITTEE”)

TERMS OF REFERENCE

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 Finance Director, Chief Risk Officer, 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.

1. PURPOSE

- 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 Committees, 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.

2. AUTHORITY

The Committee is authorised by the Board to:

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

3. RESPONSIBILITIES

The Committee shall:

- 3.1. Ensure that the frameworks developed to identify and manage categories of risk (primarily credit, liquidity, operational, conduct, business) are effective.
- 3.2. Ensure that risk identification, including emergent risks, and management processes are embedded throughout the Group.
- 3.3. 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.
- 3.4. Conduct annual reviews of the following Group’s key documents and policies prior to their recommendation to the Board for approval:
 - ICAAP
 - ILAAP (including the Liquidity Contingency Plan)
 - The Recovery Plan
 - Risk Policy & Appetite
- 3.5. Conduct annual reviews of, and approve, the following Group’s key documents and policies:
 - The Resolution Plan
 - Financial Risk Management Policy
 - Group Lending Policy
 - Conduct Risk Policy
 - Stress Test Policy (including Reverse Stress Testing)
 - Pillar 3 Disclosures Document – technical review prior to ACC
 - Operational Resilience Policy
 - Impact Tolerance Statement
 - Arrears Policy

- Data Security Policy

- 3.6. Ensure that all required stress tests are carried out in accordance with current policy.
- 3.7. Ensure that the Group has sufficient resources to monitor risk effectively.
- 3.8. Review, monitor and act upon the CRO findings and recommendations.
- 3.9. Ensure that variable remuneration payments are only made to Executives in accordance with the risk-based MTIP and Remuneration Policies.
- 3.10. 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.

4. COMMUNICATION

- 4.1. The Society Secretary will circulate the Risk Committee agenda and papers at least one week before the meeting.
- 4.2. Formal Minutes, approved by the Chairman of the Risk Committee, shall be submitted to the Board following each Risk Committee.
- 4.3. In each meeting the Committee will receive reports on relevant issues for consideration from:
 - the executive sub-committees (ALCO and EXCO), and
 - the Board, the Audit & Compliance Committee & the Remuneration & Nomination Committee.
- 4.4. 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 Society Secretary will circulate the Risk Committee agenda and papers at least one week before the meeting.
- 4.5. The Chairman will also provide a report on risk management activities at each subsequent Board meeting.
- 4.6. 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.

5. ANNUAL REVIEW

The Committee shall conduct an annual review of its terms of reference and its effectiveness in carrying them out and report its findings to the Board.

Document History

| <u>Date</u> | <u>Activity</u> | <u>Owner</u> |
|-------------|--|--------------|
| Jan 2020 | Review | AJC |
| Feb 2020 | Annual review to incorporate BER input | MJR/KM |