



# Melton Building Society

## Terms of Reference Risk Committee

Document Owner – Secretariat  
Document Approver – Board  
Date of Approval – 18 October 2023  
Version – V4 2023 effective 1 November 2023

## Purpose

The Risk Committee (the “Committee”) is a committee of the Board of Melton Mowbray Building Society, from which it derives its authority. Its role is to oversee the monitoring and review:

- The Group’s approach to its Risk Strategy, Appetite and Oversight for the key Prudential, Operational and Conduct Risks and regulatory compliance
- The effectiveness of the Compliance Function
- The effectiveness of the Society’s AML and Anti Fraud Policies

in supporting the long term sustainable success of the Society

## Composition, Frequency, Quorum and Proceedings

Composition: All members of the Committee shall be Non-Executive Directors.

The Committee shall comprise at least three independent Non-Executive Directors.

Appointments to the Committee are made by the Board on the recommendation of the Remuneration & Nominations Committee. At least one member of the Committee shall have relevant and recent financial risk experience and at least one member will also be a member of the Audit Committee.

The Chair of the Board may be a member of this Committee but not as Chair of the Committee.

Committee members should actively undertake training and development to keep up to date to fulfil the Committee’s role and where appropriate meet their SMCR responsibilities.

Chair: The Board will appoint the Committee Chair who will be an independent Non-Executive Director. In the absence of the Chair, or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

The Chair of the Committee is an SMF10 appointment.

Secretary: The Secretary of the Committee will be the Secretary of the Society, or his or her Deputy. The Secretary will arrange to circulate to the Committee members and attendees the agenda and papers in a timely manner prior to the meeting.

Attendees: Only members of the Committee have the right to attend Committee meetings, however, other individuals, such as but not limited to the Chief Executive Officer, Chief Finance Officer, Chief Risk Officer and the Internal Audit provider may be invited to attend for all or part of the meeting, as and when appropriate.

Frequency: The Committee will normally meet four times a year at appropriate times and otherwise as required. Meetings of the Committee will be called by the Secretary of the Committee at the request of any of its members.

Quorum: The quorum for the transaction of business shall be:

- Two members if the number of members who constitute the Committee is three.
- Three members if the number of members who constitute the Committee is four or more.

A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of its authorities, powers and discretions.

In the event of equal votes the Chair of the Committee shall have a second or casting vote.

**Minutes:** The Secretary to the Committee will minute the proceedings and resolutions of all meetings of the Committee and once agreed by the Chair of the Committee arrange for the Minutes to be circulated promptly to all members of the Committee and Board.

**Sub Committees:** The Group has three Executive Committees, the Assets and Liabilities Committee (ALCO), the Executive Committee (EXCO) and the Mortgage Credit Committee (MCC). ALCO reports into this Committee with EXCO's primary reporting line into the Board, with a secondary line into this Committee, as determined by the Group's Enterprise Risk Management Framework. MCC reports into ALCO.

**Written Resolutions:** Written resolutions must be undertaken in accordance with the requirements set out in the Society's Rules with written consent required from all Committee members for approval.

**Mandate:** The Committee is authorised to:

- a) Investigate any activity within its terms of reference
- b) Seek any information it requires from any employee of the Society in order to perform its duties.
- c) Obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.
- d) Call any employee to attend a meeting of the Committee as and when required.
- e) Review and report on any other topics requested by the Board.
- f) Approve Policies under powers delegated by the Board.
- g) Oversee all major risks to the Group including (where appropriate) those matters under the Senior Managers & Certification Regime, including safeguarding the independence and overseeing the performance of the Society's Risk and Compliance function.
- h) Provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the Group.
- i) Have the right to publish in the Society's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

**Independence:** It is important that the independence of the Committee is maintained and that any conflicts of interest are avoided. There shall be a standard agenda item that provides an opportunity to raise and discuss any potential conflicts of interest at the start of each meeting and any potential conflicts are recorded in the minutes.

## **Responsibilities**

The Committee shall:

1. Ensure that the frameworks developed to identify and manage all material categories of risk are effective.
2. Ensure that risk identification, including emergent risks, and management processes are embedded throughout the Group.

3. Monitor the exposure to the different categories of risk including emergent risks that the Group faces and recommend action, where appropriate, to address any exposures that exceed, or may exceed, the agreed risk appetites.
4. Conduct annual reviews of, and approve the Group's Key Documents and Policies set out and contained in Appendix 1A and to review those Key Documents and Policies set out and contained in Appendix 1B prior to their recommendation to the Board for approval.
5. Ensure that all required stress tests are carried out in accordance with regulatory requirements.
6. Ensure that the Group has sufficient resources to monitor risk effectively.
7. Review, monitor and act upon the CRO findings and recommendations.
8. Monitor and review the effectiveness of the Compliance function in the context of the Group's operations
9. Review reports from the Compliance function including compliance monitoring reports and monitor Compliance action points to ensure these are implemented
10. Annually review and approve the annual Combined Assurance Plan
11. Monitor the effectiveness of the Society's AML and Anti Fraud Policies
12. Annually review the appropriateness and effectiveness of, and maintain ongoing oversight of specific issues relating to the Group's procedures for detecting and managing fraud, bribery and corruption
13. Ensure that incentives provided by the Remuneration Policies and Executive Incentive Plan take into consideration risk, capital, liquidity and the likelihood and timings of earnings. The Committee has power of veto to withhold variable remuneration payments under appropriate circumstances.
14. Monitor risk from all of the Group and incorporate any such risks into the Committee's risk management activities insofar as they impact the Committee's other responsibilities.

### Reporting Responsibilities

The Committee shall:

1. In each meeting receive reports on relevant issues for consideration from:
  - the executive sub-committees (ALCO (including MCC) and EXCO);
  - the Chief Risk Officer; and, where relevant,
  - the Board, the Audit Committee & the Remuneration & Nomination Committee.
2. Report formally to the Board through the Committee Chair on its proceedings after each meeting in respect of all relevant matters within its duties including a report on risk management activities at each subsequent Board meeting.
3. Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
4. Report to the Board on how it has discharged responsibilities which will be included in the Group's Annual Report.
5. Report to members on the Committee's activities that will be included within the Risk Management Report section of the Group's Annual Report and Accounts.

## General Matters

The Committee will:

1. Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and any other applicable rules, as appropriate.
2. Annually arrange for reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
3. Ensure the Committee Chair attends the Annual General Meeting to answer member questions on the Committee's activities.
4. Ensure the Committee's Terms of Reference are available on the Society's website.
5. Work and liaise as necessary with other Board committees.

## **Document history**

2021 V1	Complete Re-write and Update as part of Board Governance Review	David Watts	July 2021
2022 V2	Review and update as part of the annual governance review.	David Watts	September 2022
2022 V3	Review / update as part of including Compliance matters within the Committee's responsibilities	David Watts	November 2022
2023 V4	Review and update as part of the annual governance review.	David Watts	September 2023

A Key Documents and Policies that the Committee has authority to approve:

1. Business Continuity Policy (including IT Disaster Recovery)
2. Combined Assurance Plan
3. Crisis Media Management Plan
4. Cyber Security Framework
5. Cyber Threat Intelligence Policy
6. Data Protection Policy
7. Data Security Policy
8. Financial Crime Policy
9. Financial Risk Management Policy
10. Group Lending Policy
11. Impact Tolerance Statement
12. Model Risk Management Policy
13. Operational Resilience Policy
14. Supporting Customers in Financial Difficulty Policy
15. Vulnerability Policy

B Key Documents and Policies that the Committee has authority to review and make recommendations to the Board:

1. Enterprise Risk Management Framework
2. (Group) Risk Appetite Policy
3. ICAAP
4. ILAAP (including the Liquidity Contingency Plan)
5. Pillar 3 Disclosures Document – technical review prior to Audit
6. Recovery Plan