

## **BOARD RISK COMMITTEE TERMS OF REFERENCE**

<b>1. MEMBERSHIP</b>	
1.1	The Board Risk Committee is a sub-committee of Furness Building Society Board of Directors.
1.2	The Committee shall comprise at least five members. At least 50% of the committee shall be independent non-executive directors. Members of the Committee shall be appointed by the Board in consultation with the Chairman of the Risk Committee. The following shall be members of the Committee: <ol style="list-style-type: none"><li>1. Chairman of the Audit Committee</li><li>2. Finance Director</li><li>3. Chief Risk Officer &amp; Group Secretary</li></ol>
1.3	Only members of the committee have the right to attend committee meetings. However, the Chief Executive is expected to attend all meetings at the request of the Committee Chairman. Other individuals such as the Chairman of the Board, other directors, other members of the executive or management team, or representatives from internal or external audit may be invited to attend as and when appropriate and necessary.
1.4	The membership of the Committee is reviewed annually by the Society Board of Directors.
1.5	The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
<b>2. SECRETARY</b>	
2.1	The Assistant Secretary or their nominee shall act as the Secretary of the Committee.
<b>3. QUORUM</b>	
3.1	The quorum necessary for the transaction of business shall be 3 members, at least 2 of whom must be non-executive directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
<b>4. FREQUENCY OF MEETINGS</b>	
4.1	The committee shall meet monthly at appropriate times and otherwise as required.
<b>5. NOTICE OF MEETINGS</b>	
5.1	Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members, the Society Board, or at the request of External or Internal Auditor if they consider it necessary.
5.2	A notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee and any other person required to attend, generally no later than five working days before the date of the meeting.

6. MINUTES OF MEETINGS	
6.1	The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance and any conflicts of interest divulged at the meeting.
6.2	Draft minutes of Committee meetings shall be circulated to all members of the committee and can be provided to all other members of the Board unless it would be inappropriate to do so.
6.3	Final signed copies of the minutes of the meetings of the risk committee should be maintained for the Society's records
7. ANNUAL GENERAL MEETING	
7.1	The committee chairman should attend the annual general meeting to answer members questions on the committee's activities
8.DUTIES	
The Committee shall carry out the duties below for the Society, subsidiary undertakings and Group as a whole, as appropriate	
8.1	Advise the Board on the society's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment drawing on financial stability assessments such as those published by the Prudential Regulation Authority, the Financial Conduct Authority and other authoritative sources that may be relevant for the Society's risk policies
8.2	Ensure that the Society has an adequate risk management framework for the identification, monitoring, measuring and mitigation of risk including adherence to an appropriate Group Risk Policy and key risk policy documents (see Appendix 1)
8.3	Oversee and advise the Board on the current risk exposures of the Society and future risk strategy
8.4	In relation to risk assessment -
	8.4.1 Keep under review the Society's overall risk assessment processes that inform the board's decision making, ensuring both qualitative and quantitative metrics are used
	8.4.2 review regularly and approve the parameters used in these measures and the methodology adopted
	8.4.3 set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance
8.5	Review the Society's capability to identify and manage new risk types
8.6	Challenge, approve and where appropriate provide feedback to the board on the key risk policy documents/policy changes (see Appendix 1) against the Board Statement of Risk Appetite
8.7	Advise the board on proposed strategic transactions, including acquisitions or disposals. In advising the Board the Committee will ensure that an appropriate due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Society. The Committee will take independent external advice where appropriate and available. The advice will be given prior to a decision to proceed being taken by the Board.
8.8	Review reports on any material breaches of risk limits and the adequacy of proposed action
8.9	Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall ensure the function has adequate independence and is free from management or other restrictions
8.10	Review promptly all reports from the Group Risk function

8.11	Review and monitor management's responsiveness to the findings and recommendations of the Group Risk Function
8.12	The Executive with line management for the risk function has the right of direct access to the Chairman of the Board and to the Committee
<b>9. REPORTING RESPONSIBILITIES</b>	
The Committee shall	
9.1	Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
9.2	Make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
9.3	Produce a report on its activities and the Society's risk management and strategy to be included in the Society's annual report.
9.4	Ensure appropriate availability of Terms of Reference of the Committee to members and staff.
<b>10. OTHER MATTERS</b>	
The Committee shall	
10.1	Have access to sufficient resources in order to carry out its duties, including access to the Chief Risk Officer & Group Secretary for 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 laws and regulations, the provisions of the Code and any other applicable Rules, as appropriate.
10.4	Oversee any investigation of activities which are within its terms of reference
10.5	Arrange for periodic 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
<b>11. AUTHORITY</b>	
The Committee is authorised to:	
11.1	Seek any information it requires from any employee of the Group in order to perform its duties
11.2	Obtain, at the Society's expense, external legal or other professional advice on any matter within its terms of reference
11.3	Call any employee to be questioned at a meeting of the committee as and when required
<b>12. RELATIONSHIP WITH THE AUDITCOMMITTEE</b>	
The Risk Committee achieves appropriate overlap with the Audit Committee	
12.1	The Chairman of the Audit Committee is a member of the Risk Committee
12.2	The Chairman of the Audit Committee reports on the work and findings of the Audit Committee at each Risk Committee meeting
12.3	The Audit Committee provides assurance on the effectiveness of the controls to the Risk Committee for their assessment of risk
12.4	The Audit Committee ensures that the key risks have appropriate coverage in the Audit Plan on an ongoing basis
12.5	There is clear division of responsibilities in the Terms of Reference for the Committees for areas which could fall under the scope of either the Audit or Risk Committees (e.g. anti-bribery, fraud, anti-money laundering)
12.6	The Audit Committee reviews the minutes of the Board Risk Committee to identify any control failing and ensure appropriate coverage in the Audit Plan
12.7	The Risk Committee may require the Audit Committee to carry out specific work on identification of control deficiencies

## Appendix 1

### Key Risk Documents

Policy
Approval - Group Risk Policy
Approval - Operational Risk Policy
Approval -Data Security Policy
Approval - Health and Safety Policy
Approval - Business Continuity Plan
<u>Technical review documents</u>
Board Statement of Risk Appetite
Internal Capital Adequacy Assessment Process (ICAAP)
Internal Liquidity Adequacy Assessment Process (ILAAP)
Treasury Financial Risk Management Policy (TFRMP)
Recovery and Resolution Plan (RRP)
Lending Policy
Cyber Security Policy