

ALCO TERMS OF REFERENCE – October 2023

1. MEMBERSHIP	
1.1	The Assets and Liabilities Committee is a management committee and reports to Executive Committee (ExCo).
1.2	<p>The following shall be members of the Committee:</p> <ol style="list-style-type: none"> 1. Chief Executive (Chair) 2. Finance Director 3. Chief Risk Officer 4. Head of Prudential Risk 5. Group Treasurer 6. Chief Commercial Officer 7. Treasury Manager 8. Head of Finance 9. Head of Mortgage Strategy 10. Head of Savings Strategy <p>The Chair of Board Risk Committee (BRC) is invited to attend all meetings as an attendee only.</p> <p>An open invite is given to all Non-Executive Directors to attend meetings as observers only.</p> <p>Other members of the Executive and management team may be invited to attend as and when appropriate.</p>
1.3	The Chief Executive shall be the Committee Chair. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.
2. SECRETARY	
2.1	The Treasury Manager or an approved nominee shall act as the Secretary of the Committee.
3. QUORUM	
3.1	<p>The quorum necessary for a meeting shall be four members, one of whom must be the Chief Executive or the Finance Director.</p> <p>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.</p>
4. FREQUENCY OF MEETINGS	

4.1	The Committee shall meet as often as it shall find necessary but shall hold a minimum of 9 meetings each calendar year.
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5. NOTICE OF MEETINGS

5.1	Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.
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 the week before the date of the meeting.

6. MINUTES OF MEETINGS

6.1	The Secretary or designate shall minute the proceedings and resolutions of all meetings of the Committee and is responsible for ensuring that all follow up actions are appropriately assigned, monitored and reported to the Committee.
6.2	Draft minutes of Committee meetings shall be circulated to all members of the committee prior to the next meeting.
6.3	Final copies of the minutes of the meetings of the Committee should be maintained for the Society's records.

7. DUTIES

The Committee shall carry out the duties below, and any duties delegated by the Board as necessary, for the Society, Subsidiary undertakings and Group as a whole, as appropriate:

- Asset and liability impacts of current operating plans, and market update;
- Liquidity and funding risk
- Responsibility for management of the OLAR
- Interest rate risk in the banking book (IRRBB) and other drivers of net interest income sensitivity
 - non-traded market interest rate risk in the banking book
 - including market index bases risks;
 - structural non-discretionary interest rate risk in the banking book;
 - other potential non-interest rate drivers of income volatility;
 - Behavioural Assumptions
 - Margin analysis
- Balance Sheet Structure
- FBS Rate View
- Product pricing mechanism
- Structural foreign exchange risk (Extended Approach only and subject to approval by the Board Risk Committee)
- Liquidity stress testing
- Liquidity Contingency Plan (input to the recovery plan)

Other Duties

- To ensure that the Society complies with Regulatory and internal limits
- Annual review of the Treasury Financial Risk Management Policy and wholesale counterparty list and limits
- Review of relevant sections of ILAAP, ICAAP, Corporate Plan and Recovery Plan and LCP (part of Recovery and Resolution Plan – RRP), as written by the Subject Matter Experts
- To provide regular updates to the Board Risk Committee on ALCO matters

8. REPORTING RESPONSIBILITIES

The Committee shall:

8.1	Ensure that the processes for identifying and managing financial risks are fit for purpose and implemented appropriately by management.
8.2	Ensure that significant emerging risks or significant changes in exposures to risks are promptly identified and addressed by management.
8.3	Timely escalation to the ExCo of risks identified as outside risk appetite.
8.4	Provide input to the Board Statement of Risk Appetite and recommend to the ExCo.

9. AUTHORITY

The Committee is authorised to:

9.1	Make recommendations to the ExCo on the Society's treasury financial risk management framework/Operating Model
9.2	Recommend changes to the ExCo / BRC / Board (whichever most appropriate) on Capital/liquidity requirements/Wholesale Credit Risk.

10. OTHER MATTERS

The Committee will:

10.1	Arrange for periodic reviews of its own performance and, at least annually, review its effectiveness and terms of reference to ascertain whether it is operating at maximum effectiveness.
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APPENDIX 1 – KEY DOCUMENTS AND GOVERNANCE

Policies for Review and Recommendation to the Board/Board Risk Committee/Audit Committee

Annual Report and Accounts

Pillar 3 Disclosure

Summary Financial Statement

Individual Capital Adequacy Assessment Process (ICAAP)

Individual Liquidity Adequacy Assessment Process (ILAAP)

Recovery Plan and Liquidity Contingency Plan

Resolution Plan

Treasury Financial Risk Management Policy

Dealing Mandates