

Risk & Conduct Committee

Terms of Reference

1. Purpose

1.1 The primary objective of the Risk & Conduct Committee is to oversee the management of risk & conduct across the Society on behalf of the Board, with key focus on:

- Risk Management Framework
- Principal Risk Register including control and monitoring of the key risks
- Ensuring compliance with relevant regulatory limits and policies
- Adequate capital and liquid resources are maintained through oversight and challenge of the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), the Recovery and Resolution Plan (RRP) and recommend each to the Board for approval
- Provide oversight and challenge to the Risk Management Framework (RMF) and recommend to the Board for Approval
- Ensuring that the risk culture of the Society in relation to all aspects of business conduct risk, including fulfilment of its mission, attitude to stakeholders including members, customers, colleagues and business partners, and responses to regulation are conducted according to the highest possible ethical standards
- Undertake horizon scanning and in particular reviewing risk appetite in the context of emerging economic, political, legislative and regulatory circumstances.

2. Membership

- 2.1 The Committee shall comprise at least four members. The Committee shall include at least one member of the Audit & Compliance Committee and/or People, Remuneration & Culture Committee and/or include one non-executive director specifically responsible for risk.
- 2.2 The Committee comprises of permanent members (the 'Members') who carry voting rights and standing invitee members who do not carry voting rights. Standing invitee members (the 'Standing Invitees') typically attend to provide subject matter, idiosyncratic, macro-economic and industry expertise for the benefit of the Members.
- 2.3 Under the authority vested in them by the Board, the Non-Executive Director (SMF10) performs the role of Chair.
- 2.4 Committee members shall be appointed by the Board upon the recommendation of the Nominations & Governance Committee and in consultation with the Committee Chair.

Standing Invitees Member	(SMF)	Role
Chief Risk Officer (CRO)	SMF4, 16 & 17	Provision of the delivery of the RMF across the Society
Chief Executive Officer (CEO) (when reviewing Strategic Risk)	SMF1	Provision for the delivery of the Society's strategy

2.5 Quorum and alternate Chair

A quorum shall be three (3) members.

Either the CRO and/or the CEO are normally to be in attendance. In the event the Chair is absent for a meeting then the remaining Members shall appoint a Chair of the meeting from amongst themselves.

3. Secretary

3.1 The Society Secretary, or their nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to relevant issues.

4. Responsibilities

10.13 **The Committee will provide oversight across the Society's Risk Management Framework with specific focus across the principal risk taxonomy:**



- 4.2 The Committee shall provide advice to the People, Remuneration & Culture Committee on any risk weightings to be applied to performance objectives incorporated in the incentive structure for executive remuneration and make recommendations to the People, Remuneration & Culture Committee on clawback provisions.
- 4.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 4.4 The Committee shall compile a report of its activities to be included in the Society's annual report, describing the work of the Committee.

5. Frequency of Meetings

- 5.1 The Committee shall meet at least four times a year at appropriate times and otherwise as required.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any of its members, or at the request of the CRO (or other head of risk) if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than [five] working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

7. Presentations to the Committee

- 7.1 Submissions to the Committee are to be clear in their requirement, and the contents concise but of appropriate detail in order for the Committee to form an informed and accurate view and to support any decision.
- 7.2 Papers or presentations are to normally be received at least five working days before meetings.

8. Minutes of Meetings

- 8.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes are to be made available to all members of the Board unless, exceptionally, it would be inappropriate to do so.

9. Engagement with Members and Stakeholders

- 9.1 The Committee Chair is expected to attend the Society's Annual General Meeting to answer any members' questions on the Committee's activities.
- 9.2 In addition the Committee Chair is expected to seek engagement with appropriate stakeholders (including auditors) on significant matters related to the Committee's areas of responsibility.

10. Duties

Risk appetite, tolerance and strategy

The Committee shall advise the Board on:

- 10.1 The Society's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Society is willing to take in order to achieve its long-term strategic objectives.
- 10.2 The likelihood and impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.
- 10.3 The risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Society, and taking independent external advice where appropriate and available.

Narrative reporting

The Committee shall carry out the following duties to assist the Board in fulfilling its reporting responsibilities in the annual report:

- 10.4 Monitor and review the effectiveness of the Society's risk management and internal control systems.
- 10.5 Review the Society's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks.
- 10.6 Review and assess the Society's risk appetite and associated stress testing.
- 10.7 Evaluate the Society's principal risks, to be taken into account by the Board when assessing the Society's prospects.
- 10.8 Review and approve the statements to be included in the annual report concerning internal controls and risk management.

Internal controls and risk management systems

The Committee shall oversee and seek suitable assurance from the Executive (and others as may be necessary) regarding:

- 10.9 The risk exposures of the Society, including risk to the Society's business model, and solvency and liquidity risks.
- 10.10 The adequacy and effectiveness of the Society's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems.
- 10.11 The ability of the Society's risk management and internal control systems to identify the risks facing the Society and enable a robust assessment of principal risks.
- 10.12 The Society's capability to identify and manage new and emerging risks.
- 10.13 The effectiveness and relative costs and benefit of appropriate risk controls.
- 10.14 The effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary.
- 10.15 The Society's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
- 10.16 The appropriateness of the Society's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Society.
- 10.17 The CRO's (or head of risk's) right of direct access to the Chair of the Board and to the Committee.

11. Escalation

- 11.1 The Committee may escalate any matter to the Board if it considers the matter requires consideration beyond the scope of authority delegated to it.

12. Other Matters

The Committee shall:

- 12.1 Have access to sufficient resources in order to carry out its duties, including access to the Society secretariat for advice and assistance as required.
- 12.2 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.
- 12.3 Give due consideration to all relevant laws and regulations, the provisions of the BSA guidance on the UK Corporate Governance Code, the requirements of the Prudential Regulatory Authority and the Financial Conduct Authority's rules and guidance as set out in relevant rulebooks and sourcebooks and any other applicable rules and guidance, as appropriate.
- 12.4 Oversee any investigation of activities that are within its terms of reference.
- 12.5 Work and liaise as necessary with all other Board Committees ensuring interaction between Committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls on the work of other Committees.
- 12.6 Ensure that a periodic evaluation of the Committee's performance is carried out.
- 12.7 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval. The Terms of Reference of the Committee and any material amendments to them must be approved by the Board.

13. Authority

The Committee is authorised to:

- 13.1 Request the attendance of any employee at a meeting of the Committee and/or seek any information it requires from any employee of the Society in order to perform its duties.
- 13.2 Delegate any matter or matters to another Committee or person(s) as it deems appropriate.
- 13.3 Obtain, at the Society's expense and subject to an agreed cost limit, independent legal or other professional advice on any matter within its terms of reference if it believes it necessary to do so.
- 13.4 Approve the Society's risk management and internal control policies and frameworks associated with the Risk Management Framework.

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