

Group Risk Committee Terms of Reference

Constitution

The Board has established a sub-committee to be known as the Group Risk Committee (GRC) to support it in achieving its objectives and responsibilities. The GRC reports directly to the Board.

Membership

The GRC Chairman will be appointed by the Board. The committee members will include;

- General Manager & Secretary (Chairman)
- At least one Non-Executive Director
- Chief Executive
- Deputy Chief Executive
- Operations Director
- General Manager Finance and Risk
- Head of Group Treasury
- Head of Internal Audit
- Head of Risk
- Operational Risk Manager (Secretary)

Quorum

For a quorum to be established, a minimum of four members must be present, including one non Executive Director or one Executive Director.

Attendance at Meetings

The members of the GRC should normally attend all scheduled meetings. In addition, other Society officers will be invited to attend subject to the agenda items to be discussed.

Frequency of Meetings

The GRC will meet not less than three times per year. The Chairman of the GRC may also convene a special meeting of the committee, if in his judgement an issue arises that cannot wait until the next scheduled meeting.

Objectives

- 1 A regular review and appraisal of all Group risk management activities for management and the Board.
- 2 A regular review and appraisal of all Group capital requirements for management and the Board.
- 3 Assessing the overall appropriateness and effectiveness of risk systems, management information and the development of models to support an IRB Waiver application.
- 4 Assessing the overall appropriateness and effectiveness of capital planning and allocation processes and systems.
- 5 Allocation of capital requirements to risk types.
- 6 The identification and communication of the source of any potential variance in capital adequacy requirements arising out of current trading conditions and to recommend improvements where considered desired or necessary.
- 7 Development of Society Risk Appetite and Tolerance statements.
- 8 Determining whether the systems and controls established by Management and the Board, to optimise the Group appetite for risk, have been operated and managed effectively.
- 9 Develop and maintain Board and Senior management awareness of risk management practices and issues.

Authority

- The GRC is mandated through its Terms of Reference to fulfil the responsibilities delegated to it by the Board.
- The GRC Terms of Reference are subject to an annual review by the Main Board who retain the absolute authority to amend or retract the GRC delegated mandate.
- Whilst in Committee, members of the GRC are required to operate as an oversight function independent of their operational responsibilities.

Risk Committee Responsibilities

In the context of delivering an adequate and effective oversight of group risk management the GRC responsibilities are:

- a) To receive and review detailed management information reports from specialist risk resources, specifically the;
 - Credit Risk Unit - PD/LGD monitoring reports, capital model report, limits report.
 - Operational Risk Manager - operational risk capital exposure monitoring report.
- b) To annually develop and recommend to the Board the Society ICAAP content and format, including;
 - The formal allocation of risk exposures by type;
 - Approval of capital requirements across all risk types;
 - The monitoring of quantitative and qualitative measures;
- c) To consider and recommend to the Board any required or desired changes to the Society Waiver Application;
- d) To annually produce and recommend the Risk Appetite statement for Board approval;
- e) To monitor movements in Risk Appetite exposures and any resulting tolerance breaches;
- f) Approval of regulatory capital (Pillar 1) across all relevant risks;
- g) Provide total capital (Pillar 1 & 2) and risk assessment view for input into the Economic Capital Plan;
- h) Review and recommend scenario assumptions (for use in models), including;
 - Current environment.
 - Current year view.
 - 5 year view.
- i) Agreement of scenario assumptions with ALCO, BCC and business areas specifically;
 - GAP limit.
 - Overall PD/LDG factors.
 - ROC requirements.
 - Economic Capital Plan.
- j) To consider (at least annually) the high level risks and controls contained in the Society Risk Register;
- k) To develop, co-ordinate and oversee group risk management practices;
- l) To receive and review (at least annually) Internal Audit reports on the effectiveness of risk management operations;

Reporting Requirements

The GRC will provide regular and timely Board reports summarising its activities and

recommendations;

Approved minutes from GRC meetings will be submitted to the Board and the Audit Committee for information and consideration;

Should any serious matters be identified by the GRC, or its members, they will be reported to the Society Chairman and Chief Executive immediately.