

## **TERMS OF REFERENCE FOR THE BOARD RISK AND COMPLIANCE COMMITTEE**

### **1. CONSTITUTION**

The Board Risk and Compliance Committee (Committee) is a committee of the Board of Directors of Suffolk Building Society. The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference. The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Society Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

### **2. ROLE AND RESPONSIBILITIES**

The role of the Committee is to act as a second line of defence to the Society's risk management. It assists the Board in fulfilling its oversight responsibilities by receiving regular reports from the Executive Risk Committee and the Management Committees which enable the BRCC to assess the risks involved in the firm's business (including those risks that would threaten its business model, future performance, solvency or liquidity) and to consider the principal risks identified by management and if they are appropriate. The Committee also provides advice, oversight and challenge necessary to embed and maintain the Society's Generative Risk Management Culture (as defined in the Society's Risk Strategy #1).

### **3. DUTIES AND TERMS OF REFERENCE**

- 3.1. The Committee shall carry out the following duties for the Society as appropriate:
- 3.2. Review the Society's risk profile against its risk appetite and risk strategy and provide recommendations to the Board including appropriate risk measures, triggers and limits.
- 3.3. Consider emerging and potential risks and propose to the Board changes to risk appetite where necessary. Where appropriate the Committee should consider seeking external advice and support on emerging risks.
- 3.4. Track development of risk over the course of time.
- 3.5. Review and challenge the Society's risk models.
- 3.6. Review the design, completeness and effectiveness of the Enterprise Risk Management Framework (ERMF).
- 3.7. Formally review (at least annually) the adequacy and effectiveness of the Risk and Compliance Function, and the Chief Risk Officer's performance specifically providing a report to the Board, and, where necessary, the Remuneration Committee.
- 3.8. Determine the nature, amount and frequency of the Risk Management Information received by the Board and ensure the Board has adequate access to such information and that the information is of sufficient quality, quantity and breadth.
- 3.9. Approve the Society's Risk Dashboard and Risk Assessments, including an assessment of the adequacy and effectiveness of controls and mitigations described for those risks.

- 3.10. Provide oversight of the Society's operational resilience framework and formally review (at least annually) the Society's self-assessment relating to operational resilience and formally recommend this to the Board for approval.
- 3.11. Provide oversight and challenge on the Society's management of financial and non-financial risks relating to climate change.
- 3.12. Challenge the Society's Corporate Plan, Strategy and material changes to those plans and strategies ensuring the impact of such changes on the risk profile of the Society has been fully considered. Where appropriate recommend to the Board where Risk Appetite may need to change to deliver those plans.
- 3.13. Review the Internal Capital Adequacy Assessment Process (ICAAP), Reverse Stress Testing (RST), Recovery & Resolution Plan (RRP) and Internal Liquidity Adequacy Assessment Process (ILAAP) annually and recommend to the Board for approval.
- 3.14. Provide oversight and review the stress testing framework for use within the ICAAP, ILAAP, RRP and Corporate Plan.
- 3.15. Review results of stress testing and reverse stress testing and continually develop the tests so they remain proportionate to the Society.
- 3.16. Review and monitor Executive response to any risk mitigation plans requested by the Financial Conduct Authority or Prudential Regulation Authority.
- 3.17. Provide input to the Remuneration Committee on the risk weightings to be applied to performance objectives incorporated in executive remuneration taking into account risks including capital, liquidity, earnings.
- 3.18. Advise the Remuneration Committee on the Committee's view of the Executive's risk attitude and culture, which should be taken into account when determining the performance of the Executive.
- 3.19. Where requested by the Board, the Committee shall provide a report of its activities and the Society's risk management and strategy for inclusion in the Society's Annual Report and Accounts.
- 3.20. Ensuring the pricing of liabilities (including savings products) and assets (including mortgages) takes into account the Society's business model, corporate plan and risk strategy.
- 3.21. The BRCC should give due consideration to any advice received from the Audit Committee on the effectiveness of the Society's control framework in place to mitigate risks to within Board approved risk appetite.
- 3.22. Ensure that customer outcomes are a central focus of risk control arrangements under SYSC, in accordance with Consumer Duty

#### 4. COMPLIANCE DUTIES

The Committee shall:

- 4.1. Review the Society's compliance reports and monitor the resultant agreed action.
- 4.2. Keep under review the adequacy and effectiveness of the Society's compliance function including;
- 4.3. Organisation structure and reporting lines for effectiveness in maintaining independence; and
- 4.4. Ensuring no unjustified restrictions or limitations are made on the function.

#### 5. MEMBERSHIP

- 5.1. The Committee shall comprise of all the Society's Non-Executive Directors.

- 5.2. The Chairman of the Board shall not chair the Committee.
- 5.3. The Board shall appoint the Chairman of the Committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.
- 5.4. The Committee Chairman shall review membership of the Committee annually as part of the annual performance evaluation of the Committee and ensure Committee members have appropriate knowledge, skills and experience to fully understand, assess and monitor the Society's risk strategy, risk appetite and risk profile on behalf of the Board. The Chairman should also consider whether BRCC Board Members have sufficient time and resources to deliver their responsibilities.
- 5.5. The Society Secretary, or their nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

## 6. QUORUM

- 6.1. The quorum necessary for the transaction of business at a Committee meeting shall be three Non-Executive Directors, present in person or by audio or video conference.
- 6.2. A duly convened Committee meeting 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.

## 7. ATTENDANCE AT MEETINGS

- 7.1. The Committee shall meet at least four times a year.
- 7.2. Outside of the formal meeting programme, the Committee Chairman shall maintain a dialogue with key individuals involved in the Society's risk management governance.
- 7.3. Only Committee members have the right to attend and vote at Committee meetings. However, the Chief Executive, Chief Financial Officer, the Chief Operating Officer and Chief Commercial Officer shall be invited to attend and address meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meetings as and when appropriate and necessary.
- 7.4. The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.5. Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conferences.

## 8. NOTICE OF MEETINGS

- 8.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.

- 8.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and relevant papers, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than three working days before the date of the meeting.

## 9. VOTING ARRANGEMENTS

- 9.1. Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 9.2. If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 9.3. Except where he or she has a personal interest, the Committee Chairman shall have a casting vote.
- 9.4. The Committee Chairman may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

## 10. MINUTES OF MEETINGS

The Society Secretary (or their nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

## 11. ANNUAL GENERAL MEETING

The Committee Chairman shall attend the annual general meeting to answer shareholder questions on the Committee's activities and areas of responsibility.

## 12. REPORTING RESPONSIBILITIES

The Committee shall:

- 12.1. Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 12.2. Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3. Make available to members these terms of reference by placing them on the Society's website.

## 13. GENERAL MATTERS

The Committee shall:

- 13.1. Consider other duties determined by the Board from time to time.
- 13.2. Have access to sufficient resources in order to carry out its duties, including access to the Society Secretary as required.

- 13.3. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 13.4. Give due consideration to all applicable laws and regulations.
- 13.5. Work and liaise as necessary with all other Board Committees.
- 13.6. 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.

#### 14. AUTHORITY

The Board authorises the Committee to:

- 14.1. Carry out all duties set out in these terms of reference, to have unrestricted access to the Society's documents and information and to obtain, at the Society's expense, appropriate professional advice on any matter within its terms of reference as it considers necessary.
- 14.2. Seek any information it requires from any employee of the Society to perform its duties.
- 14.3. Secure the attendance of external advisers at its meetings if it considers this necessary, at the Society's expense.
- 14.4. Call any employee to be questioned at a Committee meeting as and when required