



**Hanley**  
ECONOMIC  
Building Society

**2020**

**Risk Committee  
Terms of Reference**

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**Author: Risk and Compliance  
Officer**

**Committee: Risk**

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## 1 CHANGES SINCE LAST REVIEW

Date of change	Section	Description of change	Author
26/06/2020	Various	Alignment of terms of reference to regulatory requirements	E Greenwood

## 2 CONSTITUTION

The Risk Committee is constituted as a Committee of the Board of the Hanley Economic Building Society (The Society). This Committee is established to provide focused support and advice on risk governance and has delegated authority of the Board in respect of the functions and powers set out within this terms of reference.

Authority The Committee is authorised by the Board to investigate any activity within its terms of reference and is authorised to:

- Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee;
- Obtain external legal or other professional advice and to secure the attendance of anyone it considers has relevant experience, expertise or knowledge.

## 3 PURPOSE

The Risk Committee sets the Board's risk appetite, reviews and monitors risk in accordance with it and the Risk Management Framework Policy.

The Society's risk management function is based on three lines of defence.

### **First Line of Defence – Senior Managers**

Senior Managers own and manage risks as the first line of defence. They are responsible for identifying, assessing, controlling and mitigating risks by implementing corrective actions to address process and control deficiencies.

### **Second line of Defence – Risk Department**

The Society's Compliance function is the second line of defence and monitors all risks to ensure compliance with applicable laws and regulations and that policies and procedures in place.

### **Third Line of Defence – Internal Audit**

Internal Audit provide the third level of defence providing the Audit and Compliance Committee and Board with comprehensive assurance based on a level of independence and objectivity which is not available in the second line of defence.

## 4 MEETINGS AND MEMBERSHIP

### 4.1 CHAIR

The Chair of the Committee is a Non-Executive Director as appointed by the Board and holds SMF10. The chair has responsibility for chairing, and overseeing the performance of, any committee

responsible for the oversight of the risk management systems, policies and procedures of the firm, including, where applicable to the firm, a committee established in accordance with the risk control requirements for SMCR firms.

Under FCA prescribed responsibility the Chair has responsibility for safeguarding the independence of and oversight and performance of the risk function.

The Committee Chair will be available at the AGM to field any questions from members regarding the Committee activities.

## 4.2 MEMBERSHIP

The Chair, plus two Non-executive Directors of the Society will be appointed to the Committee. Executive directors may also be appointed to the Committee. Attendance

The Chief Executive, Finance Director and Head of Risk will be standing members of the Committee.

The Risk Officer will attend meetings of the Committee. Any other employee of the Society may be asked to attend meetings as required.

## 4.3 QUORUM

Meeting of the Risk Committee will be quorate if two Non-Executive Directors are present. If the Chair cannot attend, the remaining members shall elect one of themselves to chair the meeting.

## 4.4 FREQUENCY OF MEETINGS

To be held 4 times per year. The Committee may meet in addition to scheduled meetings.

## 4.5 SECRETARY

The Risk Officer is the Secretary of the meeting. In advance of the meeting papers will be collated and circulated to members at least 4 calendar days prior to the meeting.

## 4.6 MINUTES

Formal minutes of the Risk Committee will be taken and circulated to members. These minutes will be made available at the following Board meeting.

## 5 RESPONSIBILITIES

The Committee responsibilities are to:

- Provide advice on risk strategy, including the oversight of current risk exposures of the Society, with particular, but not exclusive, emphasis on prudential risks;
- Monitor and review the regulatory landscape;
- Advise the Leadership Team on the Board's overall current and future risk appetite and assist the Leadership Team in overseeing the implementation of that strategy;
- development of proposals for consideration by the Board in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor the firm's risk management performance;
- oversight and challenge of the design and execution of stress and scenario testing;

- oversight and challenge of the day-to-day risk management and oversight arrangements of the Executive;
- oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board;
- provide advice to the firm's Remuneration Committee on risk weightings to be applied to performance objectives incorporated in the incentive structure for the Executive;
- Provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the firm.
- Consider relevant advice from the Audit & Compliance Committee or internal audit concerning the effectiveness of its current control framework.
- Review whether prices of liabilities and assets offered take fully into account the Society's business model and risk strategy. Where prices do not properly reflect risks in accordance with the business model and risk strategy, a remedy plan will be presented to the Executive Team; and
- Examine whether remuneration incentives provided by the remuneration system take into consideration risk management and do not drive excessive risk taking.

## 6 MANAGEMENT INFORMATION

The Committee will receive the following reports at each meeting:

1. Risk Management information/Dashboards;
2. Regulatory change tracker and horizon scanning;
3. Operational change updates;
4. Internal risk reporting;
5. IT security and
6. Monitor and review operational resilience MI.

The Terms of Reference will be reviewed annually and approved by the Risk Committee.