

Yorkshire Building Society Group Risk Committee Terms of Reference

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| Role | The Group Risk Committee (GRC) is a Committee of the Board of Yorkshire Building Society from which it derives its authority. Its role is to oversee Prudential Risk, Operational Risk and Conduct Risk - Strategy, Appetite and Oversight. |
| Membership | The Committee will comprise of four independent Non-Executive Directors. Appointments to the Committee are made by the Board and will be for a period of up to three years, which may be extended for a maximum of two additional three year periods provided the Director still meets the criteria for member of the Committee (and subject to their overall term of office on the Board). |
| Chair | The Board will appoint the Committee Chair who will be an independent Non-Executive Director. In the absence of the Chair, or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting. |
| Secretary | The Secretary of the Committee will be the Senior Manager Enterprise Risk Management or their nominee. |
| Attendees | Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Chief Risk Officer, Chief Operating Officer, Chief Finance Officer and Chief Internal Audit Officer may be invited to attend for all or part of any meeting, as and when appropriate. In addition, attendance will be open to all Non-Executive Directors who are not members of the Committee when appropriate. |
| Frequency | The Committee will normally meet four times a year and otherwise as required. Meetings of the Committee will be called by the Secretary of the Committee or the Group Secretary at the request of its members. |
| Quorum | The quorum necessary for the transaction of business will be three. 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. In the event of equal votes the Chair of the Committee shall have a casting vote. |
| Written Resolutions | Written resolutions must be undertaken in accordance with the requirements set out in the Society's Rules with written consent required from all Committee members for approval. |
| Mandate | The Committee is authorised to: <ol style="list-style-type: none"> 1. Seek any information it requires from any employee of the Group in order to perform its duties. 2. Obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference. 3. Call any employee to attend a meeting of the Committee as and when required. 4. Have the right to publish in the Society's Annual Report details of any issues that cannot be resolved between the Committee and the Board. 5. Approve (ahead of Board approval where relevant) of risk strategy and risk appetites for the Group that mandate it to achieve a Board approved Plan whilst protecting outcomes for stakeholders. 6. Oversee all major risks to the Group including (where appropriate) those matters under the Senior Managers Regime, including safeguarding the independence and overseeing the performance of the Risk and Compliance functions. 7. Provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the Group. |
| Responsibilities | The Committee will carry out the duties below for the Society, major subsidiary undertakings and the Group as a whole, as appropriate. <ol style="list-style-type: none"> 1. Duties Monitoring: <ul style="list-style-type: none"> • Enterprise Wide Risk Map Approving: <ul style="list-style-type: none"> • Risk Management Framework and Strategy • Regulatory Risk and Information Security Policies • Appropriate stress testing including Reverse Stress Tests • Recovery Plan and Resolution Packs • Second Line of Defence ('LoD') Oversight Plans (Compliance and Conduct, Prudential, Operational) • Product approval if product requires change to risk appetite • Business Overlay (Risk) Process for Material Risk Takers' Bonus/SEI • Due Diligence on strategic transactions (e.g. Mergers/Acquisitions) • Money Laundering Reporting Officer's annual report • Delegation of mandates to Sub Committees |

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| | <p>Oversight:</p> <ul style="list-style-type: none"> • Second LoD Monitoring (Compliance and Conduct, Prudential, Operational) • Operation of the IRB Rating System • Periodic investigative deep dives into ad hoc areas <p>2. Recommendations to the Board</p> <ul style="list-style-type: none"> • Risk Appetite Setting • Risk Policies: <ul style="list-style-type: none"> ○ Retail and Commercial Lending ○ Funding and Liquidity Risk ○ Treasury Risk ○ Market Risk ○ Financial Crime • Regulatory Capital (ICAAP) • Regulatory Liquidity (ILAAP) • Risk Appetite Adherence <p>3. Reporting Responsibilities</p> <p>The Committee shall:</p> <ul style="list-style-type: none"> • Report formally to the Board through the Committee Chair on its proceedings after each meeting in respect of all matters within its duties. • Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. • Report to the Board on how it has discharged responsibilities which will be included in the Group's Annual Report. <p>4. Other Matters</p> <ul style="list-style-type: none"> • Review and maintain ongoing oversight of specific issues relating to the Group's arrangements for its employees and contractors to raise concerns in confidence, including whistleblowing, where delegated by the Board. • The Committee shall give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate. • The Committee shall annually arrange for 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. • The Committee Chair will attend the Annual General Meeting to answer member questions on the Committee's activities. • The Committee shall make available its terms of reference explaining clearly its role and the authority delegated to it by the Board. <p>5. Senior Managers Regime Prescribed Responsibilities</p> <p>5.1 The Committee shall assist the Senior Management Function (SMF) holder in the escalation of their Prescribed Responsibilities for the Committee in relation to:</p> <ul style="list-style-type: none"> ▪ Prescribed Responsibility k - SMF Holder: Chair of Group Risk Committee Responsibility for a) safeguarding the independence of, and b) oversight of the performance of the risk function in accordance with SYSC 6.1 (Compliance) ▪ Prescribed Responsibility l - SMF Holder: Chair of Group Risk Committee Responsibility for a) safeguarding the independence of, and b) oversight of the performance of the risk function in accordance with SYSC 7.1.21R and SYSC 7.1.22R (Risk Control) |
| Sub Committees | <p>Executive Risk Committee (ERC). ERC has delegated authority from GRC to ensure the Group's balance between seeking opportunity and managing risk is appropriate:</p> <ul style="list-style-type: none"> • Determining and amending the Group's attitude to risk and setting thresholds for endorsement by GRC and Board. • Ensuring that controls are adequately designed and effective to keep the Group within those thresholds. • Monitoring and reviewing the risk exposures of the Group in accordance with the Enterprise Risk Management Framework, Risk Appetite, Group Strategy and the Corporate Plan. • Overseeing that the Group operates compliantly. • Ensuring clear reporting of risk exposures to GRC and Board. |
| Date of Approval | 19 December 2018 |