

## Risk Management Policy

### Policy Statement & Purpose

Effective risk management is at the heart of our business and has an important part to play in delivering our purpose. Applying the principles of risk management effectively allows Bromford to create value, by enabling us to make informed decisions and take advantage of opportunities, whilst protecting value by reducing the uncertainty of achieving our strategy.

The purpose of this policy is to provide guidance regarding the management of risk to support the achievement of our strategy, safeguard the assets and reputation of Bromford and keep people safe.

This policy sets out the requirements for how we:

- Understand and respond to risks and keep these within our risk appetite.
- Identify new and existing risks which threaten our ability to operate within risk appetite.
- Develop actions that will help us manage the impact of risk through the use of appropriate internal controls.
- Monitor the effectiveness of our risk management and internal controls environment.

It is reviewed annually by the Audit and Risk Committee and approved by the Board.

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### Scope

The principles and terms within this policy apply to the risk management process in place in Bromford.

This Policy covers Bromford Housing Group and its subsidiaries.

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### Reference Documents

This document is published on our Corporate Document Library.

List of Referenced Documents
<a href="#"><u>Risk Management Procedure</u></a>
<a href="#"><u>Risk Appetite Framework</u></a>

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### Responsibilities

The **Board** has overall responsibility for risk management. They approve the Risk Management Policy and determine the Risk Appetite for the business.

The **Audit and Risk Committee** is responsible for reviewing the policy and making recommendations to the Board. They maintain oversight of risk management and internal control processes through first, second and third line assurance reporting.

The **Risk and Compliance Forum** has oversight of, and is responsible for, reviewing strategic and operational risk and control matters, audit and assurance review summary reports, policies, and procedures in relation to risk management. They escalate matters, provide recommendations and regularly report to the Audit and Risk Committee and/or Board & Exec.

**Risk and Compliance Forum** approves the risk management procedure and maintains oversight of business adherence through risk and assurance reporting.

The **Chief Risk Officer** and the **Risk and Assurance teams** are responsible for the preparation of this policy. They oversee its implementation, and maintenance of supporting risk management frameworks. As part of their programme of works through the year they will assess adherence to the principles within this policy.

The **Internal Audit** team assess adherence to the principles within the policy.

**Chief officers and Directors** are responsible for the day-to-day operation of the policy and ensuring it is adhered to.

All **Leaders** within directorates who use the policy are responsible for ensuring that the policy is communicated and effectively implemented, and to ensure colleagues are aware of their responsibilities.

All **colleagues** are responsible for acting in line with the principles of this policy and associated methodology, tools and systems.

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## Legislative Requirements

The Regulator of Social Housing sets out its expectations in its Governance and Financial Viability Standard Code of Practice 2015 for companies to have effective risk management and control frameworks in place.

It is also a requirement of the UK Corporate Governance Code 2018.

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## Policy Principles

Bromford's risk management approach and system of internal control will meet regulatory requirements in line with sector, and more broadly industry, expectations. To achieve this:

- Bromford will ensure that the Board and colleagues are clear about their respective responsibilities and will provide training and/or guidance to enable them to carry out their risk management responsibilities effectively.
- The Board will determine the level of risk Bromford is willing to accept in pursuit of its objectives and articulate these in a Risk Appetite Framework.
- All colleagues will adopt an open and receptive approach to identifying and responding to risk in line with the appetites agreed by the Board, using these to help inform decision making.
- Bromford will have a risk management framework in place to ensure that the business can identify, assess, and manage risks to the achievement of the corporate objectives.
- Bromford will maintain risk registers which include significant strategic and operational risks that may occur across the life of the strategy.
- Bromford will regularly review the impact and likelihood of identified risks materialising and assess the adequacy of controls and response necessary to further mitigate the risks.
- Key Strategic Risk reports will be produced monthly and shared with leadership, committees and boards. Operational risk reports will be produced quarterly and shared with leadership teams and Risk and Compliance Forum with any operational material risks out side of appetite escalated to Exec and ARC.
- Bromford will use a comprehensive range of internal controls to manage risk which will be reviewed at least annually.
- Bromford will take particular care to evaluate and mitigate risks outside of appetite and/or where outcomes are unknown which will be monitored by Board and may include a decision not to pursue a course of action.

- All reports to Bromford's boards and committees will include a section on risk in which board members will be advised of the risks involved, how that sits within the risk appetite of the business and action being taken or proposed to mitigate them, both on an individual and aggregated basis, in order to inform their decision making.
- The Board will regularly consider risks which may be on the horizon as well as those which are currently faced. This may take place at normal Board meetings and/or at workshops/Strategy days.
- Bromford will complete a schedule of second line assurance reviews each year which provide assurance in respect of the design of, and adherence to, agreed policies, procedures and processes. These reviews will also seek to assess our compliance with relevant laws and regulation as part of the agreed scope of works.

## Assurance Framework

Bromford operates a three lines assurance model, targeted at areas of greatest risk. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are high risk. This approach ensures clear separation between risk and control ownership (first line), oversight, support and challenge (second line) and Internal Audit (third line). We regularly reassess our assurance activity as risk is reduced in certain areas and increased where new risks are emerging, resulting in a proportionate assurance application.

Assurance over our risk management system is obtained through the following:

- **Audit & Risk Committee** has delegated responsibility from the Board for oversight and monitoring of risk management and internal control systems. This includes undertaking a review of the system of internal control, at least annually, the outcomes of which will be recommended to Board for inclusion in Bromford's Annual Report.
- **Risk and Compliance Forum** reviews and monitors the Risk Management Framework and Policy. Risk and Compliance Forum supports the development of, and amendments to risk appetite measures, limits and triggers, and recommends revisions to Audit and Risk Committee and Board. Risk and Compliance Forum ensure that risk is managed in accordance with Bromford's Risk Management Framework and in adherence with relevant legislative, regulatory and industry requirements and best practice. They ensure a supporting suite of policies, controls, limits, key risk indicators and assurance programmes are in place.
- Bromford Business Areas, and teams within them, are our **First Line of Assurance** and own and manage our risks. Business units use the risk management processes to help them understand all their relevant risks and take appropriate steps to respond to these so that each business unit is able to deliver its objectives in line with our risk appetite.

Assurance is provided by the First Line through its managerial and supervisory activities. This includes operating Group-wide control frameworks for Finance, Treasury, People, ICT.

- The **Second Line of Assurance** enables the identification of emerging risks in daily operation of the business. It does this by providing compliance and oversight in the form of frameworks, policies, tools, and techniques to support risk and compliance management. The Risk and Assurance teams set the policies, processes and procedures to manage risk, and provides guidance and challenge to the First Line through a business partnering model. The teams provide regular risk reporting and escalation of key risk and controls, in addition to the completion of agreed audit actions. In addition to the risk and assurance teams, there are multiple teams across the organisation that undertake second line activity, including Health and Safety, Finance and Compliance teams.

- The Risk and Assurance teams are part of the wider Risk Directorate and monitor the specific risks of non-compliance with regulatory & legal requirements of Health & Safety, Data Protection, Anti-Money Laundering & Fraud, and Probity.

The **Third Line of Assurance includes External Audit and Internal Audit.**

**Internal Audit** provide independent, objective assurance to management and the Board over the effectiveness of risk management, governance and internal control across Bromford, which includes the activities of the First and Second lines. Internal Audit conduct an agreed programme of independent reviews focussed on the highest risk areas of the business, agreed with and reported to the Audit and Risk Committee. Internal Audits may highlight areas where risks are not being managed within our appetite or where we may need to re-calibrate our appetite in the context of internal or external changes.

In addition, the Risk Management Frameworks are included in the Audit Universe for our Internal Auditors and will be assessed periodically, in line with the programme agreed by Audit & Risk Committee.

**External Audit** provide an objective independent examination and verify that the financial statements provide a true and fair reflection and have been appropriately prepared in accordance with accounting standards.

The Third Line of Assurance also includes other external, objective providers of assurance to the Board such as reviews conducted by regulators.

**Document Details**

**Review History**

<b>Owner:</b>	Chief Risk Officer	<b>Version</b>	<b>Date</b>	<b>Section Amended</b>
<b>Approved By:</b>	Board of BHG Limited	1	Jan 19	
<b>Date of Approval:</b>	[July 2023]	2	May 21	Various updates.
<b>Next Review Due:</b>	[July 2024]	2.1	Jun 21	Link - risk management procedure
		3	April 22	Updated to include the role of RCF
		4	June 23	Updated with minor amends reflecting changes to the Risk Directorate structure and roles