

## BOARD RISK COMMITTEE TERMS OF REFERENCE

### 1. Purpose

The Board Risk Committee (the “Committee”) is a sub-committee of the Board for the Chorley & District Building Society (the “Society”).

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities of risk management across the Society.

### 2. Objectives

The objectives of the Committee will include oversight of the Society’s:

- Current and future risk exposures.
- Future risk strategy, including the determination of risk appetite and key risks identified within the Risk Management Framework, with a particular, but not exclusive, focus on prudential risks.
- Risks posed by climate change, as well as promoting a strong risk culture that seeks good member outcomes.

### 3 Membership

The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors (NEDs) and at least one who must be the Chair of the Board Audit Committee.

Members shall have appropriate knowledge, skills and expertise to fully understand the Society’s risk appetite and strategy, and as a whole shall have competence relevant to the financial services sector.

The Chair of the Board holding SMF9, shall not be a member of the Committee, but can attend committee meetings. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations and Remunerations Committee, in consultation with the Chair of the Committee.

Only members of the Committee and the Chair of the Board have the right to attend meetings. However, the Chief Executive, the Finance Director, the Chief Risk Officer, and the Customer Services Director shall be expected to attend meetings on a regular basis.

Other individuals may be invited to attend all or part of any meeting as and when appropriate.

The Board shall appoint the Chair of the Committee. In the absence of the Chair, the remaining members present shall elect one of themselves to Chair the meeting.

The Chair of the Board Audit Committee shall not be elected to the Chair of the meeting in the absence of the Chair of the Risk Committee.

The membership of the Committee is reviewed annually by the Society's Board.

#### 4. Secretary

The Company Secretary, or their nominee, shall act as the Secretary of the Committee and will ensure that members receive information and papers in a timely manner to enable full and proper consideration to be given to issues.

#### 5. Quorum

The quorum necessary for the transaction of business shall be two members.

#### 6. Frequency of Meetings

The Committee shall meet on a quarterly basis.

It may meet in addition to scheduled meetings, as and when required.

#### 7. Notice of Meetings

Meetings shall be called by the Secretary at the request of the Chair, its members, or internal or external auditors if necessary.

Notice of each meeting confirming the venue, date, and time along with an agenda of items to be discussed, shall be forwarded to each member and any other person required to attend, no later than five working days before the date of the meeting, along with supporting papers.

In the event that an urgent or interim meeting is required, notice of each meeting, along with supporting papers may be given at less than five working days before the date of the proposed meeting.

#### 8. Minutes of Meetings

The Secretary or their nominee shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

Draft minutes of meetings shall be circulated to all members and once approved, shared with the Board, unless it would be inappropriate to do so.

#### 9. Engagement with Stakeholders

The Chair should attend the Annual General Meeting to answer any stakeholder questions on the Committee's activities.

The Chair should also seek engagement with external stakeholders on significant matters related to the Committee's areas of responsibility.

## 10. Duties and Responsibilities

### 10.1 Risk Appetite, Tolerance and Strategy/Risk Management Framework

The Committee shall:

- Oversee the development, implementation and continual improvement of the Society's Risk Management Framework and its integration with the Strategy and the Corporate Planning process.
- Have regard to advice received from the Board Audit Committee, or the Society's Internal Auditors, concerning the effectiveness of the risk control framework.
- Ensure that the Society has an effective Risk Management Framework, including adequate and supporting resources.
- Provide oversight and challenge risk management practices and review the arrangements of the Executive and Senior Management teams to ensure it promotes and maintains a supportive risk culture that puts Members and employees at the forefront of its work.
- Ensure the Chief Risk Officer is given direct access to the Board Chair and Committee Chair, without the presence of the other Executives to discuss any issues regarding risk management.
- Oversee and challenge the design of the stress and scenario testing.

### 10.2 Risk Appetite Framework

The Committee shall:

- At least annually, review and recommend risk appetite statements and supporting metrics to the Board.
- Ensure that the Society's Business Plan is within the overall risk appetite set by the Board.
- Review the Society's global risk profile in respect of performance against risk appetite, providing oversight of and challenge to proposed actions to mitigate exposures, and escalating matters to the Board when necessary.

### 10.3 Risk Monitoring

The Committee shall:

- Review and monitor the Society's Management Committees for the highest and emerging risks, along with the controls in place to mitigate risk exposures. (Assets and Liabilities Committee, Mortgage Credit Risk Committee, Risk & Compliance, and the Executive Committee)
- Review independent reports from the Second Line of Defence, including those from the Chief Risk Officer.
- Advise the Board on key risk exposures outlined within the Risk Management Framework including:
  - Financial Risk including Liquidity, Funding, Capital, and Interest Rate Risk.
  - Credit Risk.
  - Strategic Risk.
  - Operational Risk.,
  - Conduct Risk.
  - Legal & Regulatory Risk.
- Monitor the Society's Business Plan, strategy and material change projects and the impact on the Society's overall risk profile and appetite.

- Oversee the corporate insurance cover to ensure it provides adequate financial protection against the risks associated with the Society’s Business Model.
- Ensure adequate capital and liquidity resources are maintained for key risk exposures to ensure regulatory compliance and achievement of the Business Plan.
- Recommend to the Board for approval, the ICAAP, ILAAP, Recovery Plan and Resolution Pack.

#### 10.4 Annual Review

The Committee shall at least annually, review and approve the following:

- Conduct Risk Policy.
- Cyber Security Policy (including the Response Plan),
- Data Protection Policy incl. Data Retention Policy
- Information Security Policy including Data Classification
- Health & Safety Policy
- Business Continuity Plan & Disaster Recovery Plan.
- Operational Resilience Policy & Self-Assessment.
- Outsourcing & Third-Party Supplier Policy.
- Change Management Policy.
- Mortgage Pricing Policy
- Vulnerable Customers Policy.
- Liquidity and Capital Stress Testing and Scenario Planning

#### 10.5 Reporting Procedures

The Committee shall:

- Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- Produce a report on its activities and the Society’s risk management and strategy to be included in the Society’s annual report and accounts.
- Ensure the Terms of Reference are made available to employees and key stakeholders.

#### 11 Other Matters

The Committee shall:

- Recommend the appointment of SMF4: Chief Risk Function to the Board.
- Have access to sufficient resources in order to carry out its duties, including access to the Chief Risk Officer for assistance as required.
- Be provided with appropriate and timely training, both in the form of an induction programme for new members, and on an ongoing basis for all existing members.
- Act within the PRA rulebook and FCA handbook.
- Oversee any investigation of activities which are within its Terms of Reference.
- Arrange for periodic reviews of its own performance.

- 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.

## 12. Authority and Delegated Responsibilities from the Board

The Committee is authorised to:

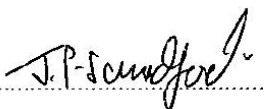
- At least annually, review and recommend to the Board the following policies for approval:
  - Lending Policy.
  - Arrears & Forbearance Policy.
  - Financial Risk Management Policy.
  - Treasury Counterparty Limits.
- Request the attendance of any employee at a meeting of the committee and/or seek any information it requires from any employee of the company in order to perform its duties.
- Delegate any matter or matters to another committee or person(s) as it deems appropriate.
- Obtain, at the Society's expense, independent legal or other professional advice on any matter within its terms of reference if it believes it necessary to do so.

## 13. Relationship with the Board Audit Committee

The Committee achieves appropriate overlap with the Board Audit Committee and shall:

- Provide assurance on the effectiveness of the controls to the Board for their assessment of risk.
- Ensure key risks have appropriate coverage in the Audit Plan on an ongoing basis.
- Ensure there is clear division of responsibilities in the Terms of Reference for the Committees for areas which could fall under the scope of either the Audit or Board Risk Committees (e.g. anti-bribery, fraud, anti-money laundering).  
Review minutes of the Board Audit Committee to identify any control failing and ensure appropriate coverage in the Audit Plan.
- Instruct the Board Audit Committee to carry out specific work on identification of control deficiencies.

Signed



**Chair: John Sandford**

**Review History**

<b>Date of Issue</b>	<b>Author</b>	<b>Purpose</b>	<b>Date of Approval</b>	<b>Version: CDBS – BRC TOR</b>	<b>Date of Next Review</b>
29 Nov 2023	Board Governance Officer	New Committee	29 Nov 2023	1.0	27 Nov 2024