

RISK COMMITTEE TERMS OF REFERENCE

1. Purpose

The 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 principal risks identified within the Risk Management Framework, with a particular, but not exclusive, focus on prudential risks.
- Risk culture to ensure risk is a key consideration in the Society’s actions to help deliver 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 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 Committee, in consultation with the Chair of the Committee. The membership of the Committee is reviewed annually by the Society’s Board.

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, although this should not be the Chair of the Audit Committee.

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 at least four times a year, usually on an approximately 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 or its members.

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, normally 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 the Chair promptly, which will then be reviewed by all members at the next meeting.

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 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.
- Review reports on the Society's risk culture to ensure that risk is a key consideration in actions the Society undertakes.
- 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. The Committee shall also meet privately with the CRO at least annually.
- 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.

10.3 Risk Monitoring

The Committee will review the Society's risk profile, by considering:

- The regular Chief Risk Officer report and the emerging risk report which cover all principal risks.
- Reports from the Senior Management team on the risk areas within their responsibility.

Use this information to:

- Consider the overall risk profile of the Society compared to the risk appetite that has been set by the Board and regulatory requirements.
- Consider the emerging risks that could impact the position in the future.
- Provide oversight and challenge to the proposed actions to mitigate exposures.
- Report to the Board on the position and recommend any necessary actions.

10.4 Annual Review

The Committee shall at least annually (unless otherwise stipulated), review and approve the following:

- Year-end Report and Accounts Risk Disclosure
- Arrears & Forbearance Policy (Bi-ennial)
- Vulnerable Customers Policy (Bi-ennial)
- Data Protection Policy incl. Data Retention Policy (Bi-ennial)
- Information Security Policy including Data Classification (Bi-ennial)

- Business Continuity Plan & Disaster Recovery Plan (Bi-ennial)
- Outsourcing & Third-Party Supplier Policy (Bi-ennial).
- Change Management Policy (Bi-ennial).
- Mortgage Pricing Policy
- Model Governance Policy (Bi-ennial).
- Health & Safety Policy (Bi-ennial).
- The corporate insurances cover to ensure it provides, where possible, adequate financial protection against the risks associated with the Society's Business Model.

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 and annual reports for approval:
 - ICAAP
 - ILAAP
 - Recovery Plan and Resolution Pack (including Solvent Exit Analysis)
 - Risk Management Framework
 - Risk Appetite Framework
 - Lending Policy.
 - Financial Risk Management Policy.

- Operational Resilience Policy & Self-Assessment
 - Cyber Security Policy (including the Response Plan)
 - Conduct Risk Policy.
 - Consumer Duty Annual Report
 - Data Protection Annual Report
- 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.

13. Relationship with the Audit Committee

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

- Provide assurance on the effectiveness of the controls to the Board for their assessment of risk.
- Ensure principal 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 Risk Committees (e.g. anti-bribery, fraud, anti-money laundering).
Review summaries of the Audit Committee to identify any control failing and ensure appropriate coverage in the Audit Plan.
- Work with the Audit Committee to carry out specific work on identification of control deficiencies.

Signed



Chair: Peter Brickley

Review History

Date of Issue	Author	Purpose	Date of Approval	Version: CDBS – BRC TOR	Date of Next Review
29 Nov 2023	Board Governance Officer	New Committee	29 Nov 2023	1.0	27 Nov 2024
26 Feb 2025	CRO	Annual Review	26 Feb 2025	2.0	Feb 2026
12 Feb 2026	Interim Board Governance Officer	Annual Review	12 Feb 2026	3.0	Feb 2027