

**Saffron Building
Society
Terms of Reference
Risk Committee**



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| Document Title: | <i>Risk Committee Terms of Reference</i> |
| Approval Authority: | <i>The Board of Directors</i> |
| Document Owner: | <i>Society Secretary</i> |
| Version Number: | <i>V 1.0</i> |
| Approval Date: | <i>7th December 2021</i> |
| Effective Date: | <i>7th December 2021</i> |

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1. Purpose, Scope and Authority

The Board hereby resolves to establish a committee of the Board, to be known as the Risk Committee (“the Committee”) to assist the Board in fulfilling its oversight responsibilities relating to risk management and oversight across the Society.

The Committee is authorised by the Board to obtain, at the Society’s expense, outside legal or other professional advice on any matters within its terms of reference such as independent external legal, accounting or other professional advice and training as it considers necessary. It will have the authority to seek any reasonable information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the committee.

This Committee’s remit covers Saffron Building Society, comprising of Saffron Building Society and its subsidiary companies including Crocus Home loans Limited and Saffron Mortgage Finders Limited and will carry out its responsibilities for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

2. Membership

| Role | Status | Deputy |
|-------------------------------|---------------------|-------------------------------|
| Non-Executive Director | Chair | <i>Non-Executive Director</i> |
| Non-Executive Directors | Each a member | N/A |
| Chief Executive | Non-Voting Attendee | N/A |
| Chief Financial Officer | Non-Voting Attendee | N/A |
| Chief Risk Officer | Non-Voting Attendee | N/A |
| Chief Commercial Officer | Non-Voting Attendee | N/A |
| IT Director | Non-Voting Attendee | |
| Head of Risk | Non-Voting Attendee | N/A |
| Head Of Compliance | Non-Voting Attendee | N/A |
| Internal Audit representative | Non-Voting Attendee | |
| Assistant Society Secretary | Secretary | N/A |

The Chair of the Committee shall be a non-executive director. The Board shall appoint the Committee Chair. In the absence of the Committee Chair at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

The Committee shall comprise a minimum of three members.

The Committee shall include at least one member of the Audit Committee and/or Remuneration Committee and/or include one non-executive director specifically

responsible for risk. Members shall have appropriate knowledge, skills and expertise to fully understand risk appetite and strategy

The Committee as a whole shall have competence relevant to the sectors in which the Group operates.

Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Risk Committee. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided the director still meets the criteria for membership of the committee.

At least one meeting a year, or part thereof, where the Committee meets the Chief Risk Officer and the Head of Compliance without executive Board members present. The CRO and Head of Compliance have access to the Risk Committee Chairman as required.

Only members of the Committee have the right to attend Committee meetings. However, anyone can be invited by the Chair to attend all or part of any meeting as and when appropriate.

3. Secretary

The Assistant Society Secretary shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

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

Draft minutes of Committee meetings shall be circulated by the Secretary in a timely manner to all members of the Committee.

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any of its members.

4. Quorum

Meetings of the Committee shall be quorate where attended by a minimum of three members

5. Meetings

5.1 Frequency of Meetings

Meetings shall be held on a minimum of four times a year

5.2 Notice of Meetings

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than three working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time

6. Rapid Decision Protocol

The purpose of the Rapid Decision Protocol is to facilitate decision making outside of the scheduled meetings. Any use of the Rapid Decision Protocol must be agreed with the Chair of the Committee prior to its use, and circulated by the Committee Secretary (or in their absence, a nominated deputy). Quorum requirements detailed above apply to any decisions with members meeting either in person, by telephone or video conference or responding via email.

Any decisions or approvals made using this protocol are to be submitted to the next scheduled Committee meeting, accompanied by a summary of events and the final decision, for inclusion in the minutes.

7. Approvals and Responsibilities

7.1 Approvals

The following documents are submitted to the Committee for approval at the prescribed frequency.

| Responsibility | Details |
|---|---|
| Annual Assurance Plan | Committee to review and approve at least annually |
| Policies | The Committee shall review and approve any policies where there are material changes to the policy as identified in the Enterprise Wide Risk Management Framework |
| Executive Risk Committee Terms of Reference | Committee to review at least annually and approve |

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| Executive Risk Committee Effectiveness | Committee to review Risk Committee's effectiveness against its Terms of Reference |
| Material Models as defined in the ERMF. | Committee to review and approve |
| Credit applications with individual or aggregate lending in excess of £3m | Committee to review and approve |
| Development finance portfolio | Committee to review and approve |
| Impairment strategy and level of impairment held for year end | Committee to review and approve |
| Counterparty exposure limits in respect of Treasury activities as recommended by ALCO | Committee to review and approve |
| Dynamic Risk Appetite | Committee to review and recommend to the Board at least annually |

7.2 Recommendation for Approvals

The following documents are submitted to the Committee at the prescribed frequency for review and recommendation to Board for approval.

| Responsibility | Details |
|--|--|
| Internal Liquidity Adequacy Assessment Process (ILAAP) | Committee to review at least annually and recommend to Board for approval |
| Internal Capital Adequacy Assessment Process (ICAAP) | Committee to review at least annually and recommend to Board for approval |
| Recovery Plan | Committee to review at least annually and recommend to Board for approval |
| Resolution Plan | Committee to review at least annually and recommend to Board for approval |
| Enterprise wide Risk Management Framework | Committee to review at least annually and recommend to the Board for approval Seek assurance that the ERMF is implemented with appropriate reporting regimes for each of the Society's Principal Risks including Management's response to breaches of risk appetite as detailed in the ERMF |
| Risk Committee Terms of Reference | Committee to review at least annually and recommend to Board for approval |
| Money Laundering Report | Committee to review an annual report from the Money Laundering Reporting Officer of the adequacy and effectiveness of the Society's anti-money laundering systems and controls and once |

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| | satisfied recommend it to the Board for consideration and approval |
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7.3 Responsibilities

| Responsibility | Details |
|---------------------------------------|---|
| Risk appetite, tolerance and strategy | <p>The Committee shall:</p> <ul style="list-style-type: none"> • Advise the board on the Group's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Group is willing to take in order to achieve its long-term strategic objectives • The Risk Committee should seek assurance on the Primary Risks identified within the ERMF and advise the Board on the likelihood and the impact of these risks materialising, and the management and mitigation to reduce the likelihood of their incidence or their impact • Advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Group, and taking independent external advice where appropriate and available • Review updates on the management of financial risks arising from climate change |
| Chief Risk Officer Report | Committee to receive and review |
| Risk Management Dashboard | Committee to receive and review submission of relevant MI and metrics |
| Operational Risk | <p>The Committee shall:</p> <ul style="list-style-type: none"> • Review the Annual Risk Event Report • Review the Annual Risk Register Review • Review Emerging Risks at each meeting. • To review annually the Annual Assurance Plan covering the Compliance monitoring, Operational Risk monitoring and any other monitoring activity conducted by the second line of defence components |
| Operational Resilience | <ul style="list-style-type: none"> • Responsible for the oversight and approval of impact tolerances and policy • Review of the lessons learnt and self-assessment process on an annual basis |

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| | <ul style="list-style-type: none"> • Review of relevant MI and metrics at every meeting |
| Compliance Function | <p>The committee shall:</p> <ul style="list-style-type: none"> • Consider and approve the remit of the Compliance Function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards • Review an annual report from the Head of Compliance • Review the annual Compliance and Complaints Report • Review, challenge and, if necessary, escalate to the Board matters in respect of the present or future regulation of Society's business and compliance with applicable legislation and regulations • Review the adequacy and security of the Society's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action • Review the Society's procedures for detecting and preventing fraud and financial crime • Review the Society's systems and controls for the prevention of Anti-bribery and corruption and receive a report on non-compliance |
| Credit Risk | <p>The Committee is responsible for review of risk in respect of:</p> <ul style="list-style-type: none"> • The specific impairment and recovery actions being taken as proposed by the credit committee • The model inputs used for the calculation of specific and collective provisions • Customer facilities in excess of Credit Committee approval limit on a sole or aggregate basis • Counterparty exposure limits in respect of Treasury activities as recommended by ALCO |

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| | <ul style="list-style-type: none"> • Senior staff loan approval for credit purposes • Any other credit related issues as delegated by the Chairman of the Board of Directors |
| Internal controls and risk management systems | <p>The Committee shall oversee and seek suitable assurance regarding:</p> <ul style="list-style-type: none"> • The risk exposures of the Group, including risk to the Group's business model, and solvency and liquidity risks • The adequacy and effectiveness of the Group's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems. • The appropriateness of the Group's risk culture for managing risk and internal controls, and the extent to which a risk culture is embedded at all levels of the Group. • Review arrangements for outsourcing undertaken by the Society to ensure they comply with relevant regulatory requirements. |
| Risk Committee Effectiveness | Committee to review its effectiveness against its Terms of Reference and report any findings and recommendations to the Board. |

8. Other Matters

The Committee shall:

Have access to sufficient resources in order to carry out its duties, including access to the Society Secretary for advice and 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 members