

Saffron Building Society
Terms of Reference
Risk Committee

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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 across the Society. The Committee shall advise the Board on the Society’s performance against its overall risk appetite, tolerance and strategy. It should also advise the Board on principal and emerging risks, and the level of risk that the Society is willing to take in order to achieve its long-term strategic objectives.

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 will carry out its responsibilities for the parent company, major subsidiary undertakings and the group, as appropriate.

2. Membership

Role	Status	Deputy
Non-Executive Director	Chair	<i>Non-Executive Director</i>
Non-Executive Director	Member x4	N/A
Chief Executive Officer	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
Head Of Compliance	Non-Voting Attendee	N/A
Head of Financial Crime	Non-Voting Attendee	N/A
Internal Audit representative	Non-Voting Attendee	
Board 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 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.

At least one meeting a year, or part thereof, the Committee shall meet the Chief Risk Officer and the Head of Compliance either together or individually without executive Board members present. The CRO and Head of Compliance have access to the Risk Committee Chair 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 Board 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 three times a year.

5.2 Notice of Meetings

Unless otherwise agreed, a notice confirming the venue, time, and date of each meeting, along with an agenda of items to be discussed, shall be sent to each Committee member and any other required attendees at least three working days in advance.

Supporting papers shall be distributed to Committee members and other attendees, as appropriate, with best endeavours to provide them at least 5 working days in advance, but no later than 3 working days (to include the weekend) before the meeting.

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, either meeting in person, by telephone 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 Risk Management Framework
Executive Risk Committee Terms of Reference	Committee to review at least annually and approve
Asset and Liability Committee Terms of Reference	Committee to review at least annually and approve
Executive Risk Committees Effectiveness Reviews	Committee to review ERC and ALCO Effectiveness Reviews against respective Terms of Reference
Credit applications with individual or aggregate lending in excess of £3m	Committee to review and approve as presented
Credit Risk	Senior staff loan approval for credit purposes.
Impairment methodology and assumptions and level of impairment held for year end	Committee to review and approve at least annually
Counterparty exposure limits in respect of Treasury activities as recommended by ALCO	Committee to review and approve
Dynamic Risk Appetite	Committee to review and approve at a minimum of twice annually
Recovery Plan	Committee to review and approve at least annually
MLRO Report	Committee to review and approval 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.
Risk Management Framework and Risk Appetite Statement	Committee to review at least annually and recommend to the Board for approval. Seek assurance that the RMF 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 Risk Appetite Statement
Risk Committee Terms of Reference	Committee to review at least annually and recommend to Board for approval.
Consumer Duty Report	Committee to review at least annually and recommend to the Board for approval.

7.3 Responsibilities

Responsibility	Details
Risk appetite, tolerance and strategy	<p>The Committee shall:</p> <ul style="list-style-type: none"> Propose to the Board, 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 RMF 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. Review updates on the management of financial risks arising from climate change.
Material Models as defined in the RMF.	Committee to review and note the output from the annual review of material models as defined in the Models Risk Management Policy.
Quarterly Risk Report	Committee to receive from the CRO and review quarterly.

Risk Management Dashboard	Committee to receive and review submission of relevant MI and metrics quarterly.
Development finance portfolio	Committee to review via quarterly risk report
Strategic Risks	Committee to receive and review submission of strategic risks quarterly.
Assurance Plan	Review progress and outcomes of the Annual Assurance Plan activity quarterly
Operational Risk	The Committee shall: <ul style="list-style-type: none"> • Review the Annual Risk Event Report. • Review the Annual Risk Register Review.
Operational Resilience	<ul style="list-style-type: none"> • Responsible for the oversight of impact tolerances and policy. • Review of the lessons learnt and self-assessment process on an annual basis. • Review of relevant MI and metrics at every meeting.
Third Party Management and Outsourcing	<ul style="list-style-type: none"> • Review the Annual Third Party Management and Outsourcing Report (which shall include a list of all material outsourced arrangements, exit plans and contingency requirements) • Oversight of the Third Party Management Policy
Reporting Responsibilities	<ul style="list-style-type: none"> • The Committee chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. • The Committee shall compile a report of its activities to be included in the Society's annual report, describing the work of the Committee.
Compliance Function	The committee shall: <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 through the Compliance Framework. • 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 through the Quarterly Risk Report.

Financial Crime Risk	<ul style="list-style-type: none"> • Review annual Head of Financial Crime Report. • Escalate to the Board matters in respect of fraud and financial crime. •
Complaints	<ul style="list-style-type: none"> • Review the monthly MI Risk Dashboard provided by 1st line and reviewed by 2nd line. • Review the quarterly Compliance complaints deep dive, focussing on regulatory requirements under DISP and confirmation that the first line are applying the rules appropriately. • A statement to be made to Risk Committee by the CRO in the Quarterly Risk Report to confirm that regulatory submissions have been prepared and submitted by the Compliance Team.
Credit Risk	The Committee is responsible for review of risk in respect of any credit related issues as delegated by the Chair 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.
Annual Report and Accounts – Narrative Report	<p>The Committee will approve annually a narrative report to be included in the Society's Annual Report and Accounts to detail duties conducted to assist the board in fulfilling its reporting responsibilities in the annual report.</p> <ul style="list-style-type: none"> • Monitor and review the effectiveness of the Society's risk management and internal control systems. • Review the Society's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks. • Review and assess the Society's risk appetite and associated stress testing.

	<ul style="list-style-type: none"> • Evaluate the company's principal risks, to be taken into account by the board when assessing the Society's prospects. • Review and approve the statements to be included in the annual report concerning internal controls and risk management.
Risk Committee Effectiveness	Committee to review its effectiveness against its Terms of Reference and culture 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 Board 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.

Have delegated authority from the Board to obtain external support, such as independent external legal, remuneration, or other professional advice and training as it considers necessary, at the Society's expense.

Give due consideration to all relevant laws and regulations, the provisions of the Corporate Governance Code and associated guidance and any other applicable rules, as appropriate.

8. Version History

Version	Author	Date	Notes
v.1.2	Harriet Wright	14.06.22	Annual Review
V1.8	Harriet Wright	July 2023	Annual Review
V 1.9	Harriet Wright	October 2024	Annual Review
V 1.11	Harriet Wright	February 2025	Annual Review