SWANSEA
BUILDING SOCIETY
Established 1923

Terms of Reference
Risk Committee

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Terms of Reference Risk Committee

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Purpose

1 The Risk Committee will
   a consider recommendations in respect of escalated risks from the other Committees and work to prioritise and moderate the risks included in the Society Risk Register in their overall impact and importance to the Society and achievement of its strategic objectives.
   b consider the priorities and risk appetite statements developed in Board Strategy days and overall market movements or trends to ensure that strategy delivery is not compromised.
   c consider input from a range of external third parties to ensure all significant risk management actions such as Contingency Planning are identified and appropriately addressed.
   d make recommendations to the Board and report annually to the members.

Membership

1 The Risk Committee shall be a Sub-Committee of the Board composed as follows:
   a The Chair, who shall be a Non-Executive Director
   b At least two further Non-Executive Directors
   c The Director of Risk & Compliance, Chief Executive Officer, Finance Director, Financial Controller, Head of IT and Head of Lending will also normally be in attendance.

2 The Society Chairman may not be a member, but is invited to attend meetings unless the Committee deems that this is inappropriate.

3 The Director of Risk & Compliance (Chief Risk Officer) may not always be a member, but is invited to all meetings as an observer.

4 Members of the committee shall be appointed by the Board, on the recommendation of the Nominations Committee in consultation with the chairman of the Risk Committee.

5 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

6 In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Secretary

The Society secretary or his nominee shall act as the secretary of the Committee.

Quorum

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

Frequency of Meetings

The Committee shall meet for the dispatch of business at least four times a year at appropriate times and otherwise as required. The Committee shall have access to all reports produced for or on behalf of the regulators.

Notice of Meetings

1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the Committee Chairman.

2 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, any other person required to attend and all other non-executive directors, 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.

Minutes of Meetings

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

2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

Annual General Meeting

The Committee Chairman should attend the annual general meeting to answer member questions on the Committee's activities.

Duties

The Committee should carry out the duties below for the Society as appropriate.

1 **Review** the proceedings of and recommendations made by other committees:
- **ALCO & Credit Risk**: business performance, regulatory requirements and competition;
- **IT Committee**: IT risk report and Cyber issues;
- **Nominations and Remuneration**: staff/employee and training issues;
- **Conduct**: customer outcomes, complaints and performance;
- **Health & Safety**: safety issues;
- **Audit**: process or Internal / External Audit reports of weaknesses;

in respect of impact on and escalation to the Society Risk Register, moderating risk evaluations for overall potential impact. Inclusion into the risk register and recommendation to the Board in terms of specific risk appetite.

2 **Monitor** risk appraisal trends and the adequacy / appropriateness of the avoidance / remedial actions identified in the Risk Register, challenging adequacy and timeliness of response when appropriate. Quarterly assessment of the "Top" 10 risks, but full annual review of the risk register.

3 **Compliance and fraud.**
The committee shall:
- Review the Society's procedures for detecting fraud.
- Review the Society's systems and controls for the prevention of bribery and receive reports on non-compliance.
- Review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Society's anti-

money laundering systems and controls.
- Review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Society's compliance function.

4 **Consumer Duty.** The committee shall:
- review the annual assessment of whether the Society is delivering good outcomes for its customers which are consistent with the Duty.
- agree the action required to address any identified risks, or any action required to address poor outcomes experienced by customers.
- agree whether any changes to the Society's future business strategy are required to be considered by the Board.

5 **Consider** and monitor changes to documentation of contingency planning - Operational Resilience Framework, Business Continuity Plan (BCP) or Disaster Recovery Plans (DPR), with recommendations and changes made as a result of testing undertaken.

6 **Consider** reports and incidents relating to statutory or regulatory incidents including:
- Mortgage Fraud;
- Money Laundering;
- Data Protection;
- Other.

7 **Consider** issues raised by PRA, FCA or HM Treasury in relation to general or Society specific risks and recommended actions to explore whether additional risks or extension of existing risks should be recommended to the Board for inclusion in the Society Risk Register.

8 **Consider** any changes undertaken, needed or proposed to Risk Management policy or procedural documents in the light of conclusions from points 1-4 above or from specific recommendations made by the Executive Team, Internal / External Auditors or by Regulators.

9 **Regulatory compliance** - it is the responsibility of the Committee to:
- Review and approve the Compliance Monitoring Programme
- Review and assess reports showing the outcome of thematic review undertaken under the Compliance Monitoring Plan
- Monitor and oversee the impact of any regulatory breaches
- Monitor and oversee regulatory reporting submitted to regulators.

10 **Make recommendations** to the other committees and the Board in respect of adequacy of risk management (identification or response) or additional disclosures required.

11 **Provide advice** to the Society Board on risk strategy, including the oversight of current risk exposures of the Society, with particular, but not exclusive, emphasis on prudential risks.

12 **Develop proposals** for consideration by the Board in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor the Society's risk management performance.

13 **Review** and consider the continued appropriateness of the Society's Primary Risk Appetite Statements and Risk Appetite Measures (RAMs) on a 6-monthly basis.

14 **Provide oversight** and challenge of the design and execution of stress and scenario testing.

15 **Provide oversight** and challenge of the day-to-day risk management and oversight arrangements of the executive.

16 **Provide oversight** and challenge of diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board.

17 **Provide advice** to the Society's remuneration committee on risk weightings to be applied to any performance objectives incorporated into the incentive structure for the executive.

18 **Provide advice**, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the firm.

Reporting Responsibilities

1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

2 The Committee shall make agreed recommendations to the Society Board and propose revisions to the Society Risk Register for any new risks identified or changes apparent in existing risks from the considerations above.

3 The Committee shall produce a report of its activities and the Society's risk management and strategy to be included in the Society's annual report.

Other Matters

The Committee shall:

1 Have access to sufficient resources in order to carry out its duties, including access to the Society secretariat for assistance as required.

2 Be provided with appropriate and timely training, both an induction programme for new members and on an ongoing basis for all members.

3 Consider laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.

4 Annually evaluate the performance of the Committee and review the Risk Committee Terms of Reference, reporting the results to Board.

Authority and Powers

The Committee is authorised by the Board to:

1 Commission any additional work or analysis needed to fulfil its purpose;

2 Seek any information it requires from any employee or officer. All employees and officers are directed to co-operate with any reasonable request for attendance or information made by the Committee.

3 Commission the Internal Audit (IA) function to access any Society data systems, documents and records required to ensure accuracy and completeness of information provided to the Risk Committee – and to seek information and explanation from any member of staff for any matter under examination.

4 To obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.

Version 15 - Current version approved by Risk Committee: 23 July 2024