

Principality Building Society

Board Risk Committee Terms of Reference

Date of approval	21 March 2025
Role	<p>The Risk Committee is a committee of the Society's Board which is responsible for the oversight of risk management and the risk profile of the Society. Main activities:</p> <ul style="list-style-type: none"> • Promote a robust Risk culture, ensuring risk awareness is integrated into decision making at all levels, with a clear tone from the top that puts members interest first • Oversee implementation and embedding of the Enterprise Risk Management Framework, including management's response to breaches of risk appetite as detailed in the ERMF. • Review and approve key risk policies and frameworks
Membership	<p>The Committee shall comprise at least three members.</p> <p>Members of the Committee are appointed by the Board, upon the recommendation of the Governance & Nominations Committee and in consultation with the Chair of the Audit Committee.</p>
Chair	The Chair of the Committee shall be appointed by the Board. In the absence of the Committee Chair at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
Secretary	The Secretary of the meeting will be agreed between the Chair of the Meeting and the Society Secretary.
Attendees	<p>Only members of the Committee have the right to attend Committee meetings, with the CRO, CFO, CSO and CLO as permanent attendees. However, other individuals may be invited to attend for all or part of the meeting, as and when appropriate such as but not limited to:</p> <ul style="list-style-type: none"> • Other Non-Executive Directors • Members of Executive Committee • Other colleagues, as and when appropriate and necessary to present papers.
Frequency	The Committee shall meet no less than four times per annum. Outside of the formal meeting programme, the Committee Chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Society's risk management governance framework, including the Chair of the Board, Chief Executive Officer, Chief Risk Officer, Chief Financial Officer and Head of Compliance and Conduct Risk.
Quorum	Three ¹ members. A member participating by way of conference call or other communications equipment shall be counted in the quorum accordingly.

¹ The quorum will reduce by one if the committee membership reduces.

Written Resolutions	Written resolutions may be used in accordance with the Society's Rules with written consent by all Directors.		
Meeting papers and minutes	<p>The Secretary of the Committee shall circulate the Agenda and papers for each meeting of the Committee no less than five working days in advance of the relevant meeting.</p> <p>Minutes will record the proceedings, resolutions and decisions including recording the names of those present and in attendance and record any declarations of interest/conflicts of interest disclosed at meetings. The minutes of the meeting shall be approved at the next meeting.</p>		
Mandate	<p>The Committee is authorised to:</p> <ul style="list-style-type: none"> • Perform such other oversight functions as the Board may request. • The Committee will receive reports and recommendations from time to time on any matter which it considers to be of sufficient significance. 		
Reports to	<p>This Committee reports to the Society's Board.</p> <p>The Chair of the Committee shall attend the Annual General Meeting to answer member questions on the Committee's activities.</p>		
Sub Committees	None.		
Responsibilities	Purpose	Matter	Frequency
1.1	Oversight	<p>Ensure the Enterprise Risk Management Framework is consistent with the risk strategy and appetite of the Society and oversee the embedding through reporting and escalation.</p> <p>Receive reports on the current and emerging risks to review and challenge where we are outside risk appetite and if action is timely and appropriate taking into account the potential reputational risk, customer harm and risk of non-compliance.</p>	As necessary
1.2	Endorse and recommend for Board approval / Approve	<p>Ensure Board Risk Appetite has sufficient coverage of the principle risks and is commensurate to the risk profile.</p> <p>Where there are material breaches of risk appetite and/or material risk events, review and consider the adequacy of actions to return to appetite and/or lessons learnt.</p>	At least annually to approve Level 2 measures and recommend Level 1 to Board.
1.3	Monitor	Consider the impact on the Society's risk profile of any major initiatives and make appropriate recommendations to the Board.	As necessary
1.4	Oversight	Receive reports on the risk position in relation to the Society's major IT and Change programmes	As necessary

1.5	Approve	Review and approve the 2 nd line assurance plan to ensure it is aligned to the key risks of the business and receive regular reports on the work being carried out.	Annually
1.6	Approve	Approve any changes to the Society's IRB models where those changes are expected to result in a material change. Receive confirmation that the Society's IRB models have been reviewed by the Internal Audit function and that these are attested to be fit for purpose.	As necessary
1.7	Oversight	Ensure that Customer outcomes are a central focus of risk and internal audit processes. Throughout its activities, the Committee shall consider the general obligation to ensure customers are getting fair value and good outcomes in everything it does (Consumer Duty – Principle 12).	Delegated to ERC The strategic aspects of consumer duty are to be considered by the Board
1.8	Oversight	Receive regular reports on the actions being taken to identify and mitigate the financial risks of climate change.	Annually
1.9	Oversight	Receive annual reports (or more frequently by way of exception) on the actions being taken to identify and mitigate the risks associated with financial crime, fraud, facilitation of tax evasion and bribery and corruption including an annual report on corporate hospitality offered by the Society.	Annually <i>(Financial Crime Policy is considered by Operational Risk Committee annually)</i>
1.10	Endorse and recommend for Board approval / Approve	Review and approve (where appropriate) key risk policies and frameworks, including: <ul style="list-style-type: none"> - Retail Lending Policy - Commercial Lending Policy - Treasury Policy Statement - Operational Resilience attestation - Consumer Duty attestation - Model Risk Policy - Information Security Policy 	Annually Model Risk Policy delegated to MGC Information Security Policy delegated to ORC

1.11	Approve	Review and approve (where appropriate) key risk policies and frameworks, including: <ul style="list-style-type: none"> - Enterprise Risk Management Framework - Bribery & Conflicts of Interest Policy - Compliance & Conduct Policy - Financial Crime Policy 	Triennially
1.12	Endorse and recommend for Board approval	Review, challenge and approve financial and economic assumptions, stress and reverse stress scenarios used within the ICAAP and ILAAP. Recommend the ICAAP and ILAAP to the Board for approval. Understand the circumstances in which the Society would fail and be satisfied that mitigating management actions are feasible.	As necessary
1.13	Oversight	Monitor the independence and objectivity of the 2nd line Risk Function and satisfy itself annually that the resources available to that function are adequate.	Annually
1.14	Monitor	Note the appointment and/or removal of the Chief Risk Officer as recommended by the Governance & Nominations Committee	As necessary
1.15	Oversight	Provide reports to the Remuneration Committee including, an annual review of the risk management across the Society, if threshold gateways have been met for variable pay and if any adjustments to variable pay for SMF and MRT are recommended.	As necessary
1.16	Endorse and recommend for Board approval	The Committee, at least annually, shall review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.	Annually
1.17	Approve	Review and approve the terms of reference for the ERC and MGC.	Biannually
1.18	Endorse and recommend for Board approval	Review and recommend to the Board the overall levels of insurance for the Society including Directors and Officers Liability Insurance.	Annually
1.19	Approve	Review and approve the statements to be included in the Annual Report concerning the role and responsibilities of the Committee and the action it has taken to discharge those responsibilities.	Annually
1.20	Oversight	Determine appropriate training and development for Committee Members both on appointment and on an ongoing basis to ensure that Members of the Committee are appropriately skilled.	As necessary