

BOARD RISK COMMITTEE – TERMS OF REFERENCE

1. Membership & Attendance

The Chair and members of the Committee shall be appointed by the Board from amongst the non-executive Directors. The Committee Members will normally include:

- four non-executive Directors

The quorum shall be two NEDs. In the event of the unavailability of two NEDs then another NED may be co-opted for the meeting. At least one Executive Director must be in attendance.

The members of the Board Risk Committee should attend all scheduled meetings. In addition to members of the BRC, other attendees may be invited to the Committee. Any member of the Committee may ask the Chair to invite specific individuals to address topics which will aid the Committee's understanding.

The Chief Executive, Finance Director, Operations Director, Chief Risk Officer and the Head of Conduct and Compliance are not Committee members but attend. Other individuals such as the other Non-executive Directors, or other members of the management team and external advisors may also attend meetings as appropriate with the permission of the Chair of the Committee which will not be unreasonably withheld. The Head of Internal Audit is invited to attend each meeting.

2. Secretary

The Society Secretary, or with the agreement of the Chair, their nominee, shall act as the secretary of the Committee.

3. Frequency of Meetings

The BRC shall normally meet at least four times per annum, unless otherwise agreed by the Committee. The Chief Risk Officer and the Committee Chair agree a programme of dates and agendas at the start of each year. Additional meetings may be added during the year to deal with risks as they develop.

4. Minutes of Meetings

The Secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee.

Any changes to the Declaration of Interest Log, or conflicts of interest declared that are specific to items on the agenda for a meeting will be minuted.

Minutes of all Committee meetings shall be made available to the Board.

5. Authority

The Committee is a Committee of the Board of Directors (the ‘Board’) of Progressive Building Society (the ‘Society’) from which it derives its authority and to which it regularly reports.

The Committee has delegated authority of the Board in respect of functions and powers in these Terms of Reference. The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.

The Committee has authority to investigate any matter relating to risk matters within the Society. It also has authority to obtain any information as it may require from any Director, officer or employee of the Society.

The Committee has authority to engage independent counsel and other professional advisers at the expense of the Society and to invite them to attend meetings.

The Committee is authorised to review and make recommendation to the Board to approve the policies and statements relating to the risk faced by the Society. The Committee oversees the Board risk management framework to be satisfied that risks are identified and managed effectively.

6. Purpose and Duties

The Board has established a committee to be known as the Board Risk Committee to support it in achieving its objectives and in overseeing the management of risk across the Society.

The Committee will also ensure that the Society meets its regulatory and legal obligations with regard to Risk as laid out by its regulators.

The duties of the Committee will include:

Functions	Details
Supporting Board and Executive Management	<ul style="list-style-type: none"> ▪ BRC is required to support Progressive’s Board of Directors and the Executive in developing and defining the risk framework of the Society. ▪ On a minimum of an annual basis, the Committee shall review the components of Progressive’s risk framework to ensure that it satisfies regulatory requirements. ▪ The Board will receive a comprehensive report on the business of the Committee from the Chair of the BRC after each Committee meeting. ▪ The Board will receive a copy of the minutes of the BRC and any relevant supporting management information.

Strategic Board Risk Management	<ul style="list-style-type: none"> ▪ To consider the implications of changes to the legal and regulatory regime in so far as such changes impact on the risk framework of the Society. ▪ Review relevant publications on Risk management ▪ Review Board Risk appetite and Society's Risk Register statement (at least annually) ▪ To advise the Board on the risks of strategic transactions ensuring due diligence is undertaken.
Credit Risk Management	<ul style="list-style-type: none"> ▪ To receive and review management information reports relating to credit and treasury risks ▪ To review and where necessary update, at least annually, Policy statements relating to Risk, Treasury and Lending ▪ To report to the Board on all major issues concerning the Society's lending policy. ▪ To suggest and monitor approved limits in relation to risks (principally credit and treasury risks). ▪ To review the Society's reporting procedures in relation to COREP
Operational Risk Management	<ul style="list-style-type: none"> ▪ To receive and review management information reports relating to operational risks
Conduct Risk Management	<ul style="list-style-type: none"> ▪ To receive and review management information reports relating to conduct risks
Capital Risk Management	<ul style="list-style-type: none"> ▪ To annually develop and recommend to the Board, the Society's ICAAP content and format including approval of Pillar 1 and Pillar 2 calculations and scenario assumptions and the Pillar 3 disclosures.
Liquidity Risk Management	<ul style="list-style-type: none"> ▪ To annually develop and recommend to the Board, the Society's ILAAP (Individual Liquidity Adequacy Assessment Process) content and format.
Stress Testing	<ul style="list-style-type: none"> ▪ To review and approve the Society's Stress Test Framework. The Society's Reverse Stress testing will be reviewed at least annually and more frequently if dictated by market conditions or changes in the Society's business model.
Recovery and Resolution	<ul style="list-style-type: none"> ▪ To review the Society's recovery and resolution plans and the ability to produce a single, customer view of each depositor's funds (SCV). ▪ To review the robustness and viability of contingency funding plans
Operational Resilience	<ul style="list-style-type: none"> ▪ Ensure a clear understanding of the Society's most important services to members ▪ Ensure comprehensive understanding and mapping of the systems and processes that support these member services. This would include an understanding of the resilience of outsourced providers.

	<ul style="list-style-type: none"> ▪ Understand how the failure of an individual system or process could impact the provision of the business service to the member. ▪ Evaluate which systems and processes are capable of being substituted during disruption so that business services can continue to be delivered; ▪ Ensure testing of plans that would enable member disruption to be minimised ▪ Ensure effective internal communication plans to aid member engagement ▪ Ensure specific external communication plans for the most important business services, which provide timely information for members and other stakeholders. ▪ Resilience of the systems and processes within the Society to deliver the required infrastructure.
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Additional Committee responsibilities shall include:

- to ensure that the processes for identifying and managing risks are fit for purpose and implemented appropriately by management (current risk focus)
- to ensure that emerging risks are identified and assessed on a timely basis (forward looking focus)
- to consider (at least annually) the risks and controls contained in the Society's Statement of Risks.
- to receive regular reports on the work of management committees (Management Risk Committee and ALCO).
- to ensure that the Risk function is independent, adequately resourced and has appropriate access to information to enable it to perform effectively.
- to recommend to the Board the appointment / removal of the Chief Risk Officer.
- The Committee shall at least once a year review its own performance and terms of reference to ensure that it is operating effectively and if necessary recommend any changes to the Board.
- A deep dive into a specific risk aspect of the Society each quarter.

7. Management Responsibilities

Management will ensure that all information relevant to the discharge by the Committee of its responsibilities is provided to the Committee. Management will also ensure that matters of material concern that are relevant to the Committees' responsibilities are brought to the attention of the Committee on a timely basis.