

RISK COMMITTEE

TERMS OF REFERENCE



Composition: Members of the Committee shall be appointed by the Board. It will comprise 2 Non-Executive Directors and the Finance Director, Director of Risk & Compliance, Director of Operations and the Director of Marketing. The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director.

Meetings: The Committee shall meet four times a year in February, May, September and November and as otherwise as required.

The Chief Executive and the Internal Audit Manager will be invited to attend meetings of the Committee if required.

Minutes: Minutes shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

Terms of Reference

Overall purpose of the Committee:

The overall purpose of the Committee is to:

1. Ensure that the overall approach to the identification and management of risk is:
 - a. Adequate.
 - b. Managed cost effectively and in an integrated manner.
 - c. Compliant with applicable laws and regulations.
2. Ensure that key risks and controls are monitored adequately.
3. Overseeing, at a high level, the operation of the ICAAP.
4. Monitoring The Melton's overall capital adequacy and exposure to risk.
5. Ensure that effective stress and scenario tests are carried out.

General Responsibilities

1. Setting The Melton's appetite for the different categories of risk.
2. Ensuring that the frameworks developed to identify and manage specific categories of risk are effective and compliant with applicable laws and regulations.
3. Monitoring The Melton's exposure to the different categories of risk that face the Group.
4. Recommending action, where appropriate, to address any exposures that exceed the stated risk appetites for the different categories of risk.
5. Reviewing and signing off the ICAAP methodologies and outputs for the different risk categories.
6. Reviewing the corporate governance statement, insofar as it relates to risk management.

7. Keep under review that the Society has sufficient management resource and back up to ensure the effectiveness of the above.
8. Monitor the results of stress and scenario testing
9. Identify and communicate areas of risk where assurance may be required to Audit & Compliance Committee.
10. Consider the Society's contingency planning as a mitigating action
11. Ensure that the respective responsibilities of the Board, Risk Committee and Executive are clearly set out.

Reporting Responsibilities:

A report to members on the Committee's activities is to be included within the Corporate Governance Report section of the Group's Annual Report.