Terms of reference

BOARD RISK & COMPLIANCE COMMITTEE

Reviewed by the Committee on 20 May 2026 and approved by the Board of Directors of Dudley Building Society (the **Society**) on 22 May 2026 (to apply with immediate effect).

1. PURPOSE

1.1 The Committee's role is to make sure there is a proper consideration of risk and regulatory compliance at the Society. This includes monitoring financial and non-financial risk exposures vs risk appetite, and overseeing management's strategies for responding to them. The Committee considers major initiatives and transactions, and seeks assurance that appropriate due diligence has been undertaken. The Committee also supports management to engender a risk-aware culture that promotes business performance and safe growth.

2. RESPONSIBILITIES

2.1 Oversee the design, implementation and ongoing improvement of the Society's risk control framework, ensuring it is appropriate given the Society's size and risk profile and includes reporting processes to ensure key events and exposures are escalated.

2.2 Promote and seek to maintain a culture that is commensurate with effective risk management and which supports the Board to act in the best interests of members as a whole and promote the objective of having a material positive impact on society and the environment.

2.3 Review, challenge and recommend to the Board for approval at least annually the Society's Risk Appetite Statement (including risk tolerances and limits), making sure it covers the principal risks to which to the Society is or might reasonably be exposed in the future.

2.4 Oversee the Society's risk profile against risk appetite, taking account of the current and prospective macroeconomic and financial environment, challenging management's assessment of risk exposures and monitoring actions designed to manage them, escalating matters to the Board when necessary.

2.5 Receive reports and recommendations from the independent risk and compliance functions, including from the Chief Risk & Compliance Officer, on current and emerging risk exposures and the adequacy of controls and/or management actions designed to respond to such risks. These reports will include the status of and progress toward the delivery of risk and compliance assurance plans.

2.5A Receive from the independent risk function notice of any development it considers may warrant an interim review of capital, liquidity or recovery documentation.

2.6 Receive reports on material breaches of risk limits and the adequacy of proposed actions to operate within agreed risk appetite.

2.7 Ensure the risk and compliance functions are sufficiently independent from the operational functions they oversee; and that they have the authority, an appropriate level of access to information, are free from constraint by management, and have adequate resources and competence to fulfil their responsibilities.

2.8 Review, challenge and approve the design and execution of stress and scenario tests.

2.9 Review, challenge and recommend to the Board for approval the Society's ICAAP, ILAAP, Recovery Plan, Solvent Exit Analysis and, as required, Solvent Exit Execution Plan (each a **Key Document**), prepared in accordance with the Society's approved Key Document Timetable or, where the Committee considers it prudent or necessary, on an interim basis outside that timetable. The Committee shall have authority to require Management to prepare and submit an interim Key Document where it considers that circumstances warrant further assurance.

2.9A Oversee Key Document Governance Arrangements, including receiving at least annually a comprehensive update from Management covering changes in financial forecasts, macroeconomic assumptions, stress testing outcomes, risk profile and risk appetite, recovery indicators and management actions, and assessing whether any such developments warrant an interim update to a Key Document.

2.10 Review and challenge the financial and operational risks arising from climate change and management's strategy to mitigate such risks.

2.11 Oversee operational resilience arrangements (including Material IT Change other than matters that are delegated to another Board committee) and receive, at least annually, a report on the suitability of business resilience, contingency arrangements and cyber security and information security controls; and recommend actions to the Board to address the Society's Operational Resilience Self-assessment.

2.12 Oversee the delivery of good customer outcomes and, consistent with the Consumer Duty (the **Duty**), product and service design and distribution (including the Society's intermediary proposition), fair value, consumer understanding, consumer support, and outcomes monitoring. This involves receiving, reviewing and scrutinising key performance/risk indicators and management information relating to: customer experience, member engagement initiatives, service levels, product reviews, communications, market insights, vulnerable customers and financial inclusion.

2.13 Review proposals to extend into new (a) business areas; (b) jurisdictions; or (c) product lines outside of mortgages and savings, which includes extending an existing product line to, or entering a new lending niche that targets, a new customer group, or would otherwise result in a change in risk profile that the Chief Risk & Compliance Officer determines to be significant.

2.14 Monitor the extent to which the Society is complying with its obligations under the Duty, delivering its implementation plan and embedding the Duty within the Society.

2.15 Review the Money Laundering Reporting Officer's report (including the Society's approach to anti-money laundering prevention and potential improvement actions) at least annually, prior to submission to the Board.

2.16 Review significant risk related FCA & PRA correspondence and ensure that management's response is appropriate, unless these are to be considered directly by the Board.

2.17 Oversee the Society's corporate insurance cover to ensure that it provides adequate financial protection against the risks associated with the Society's business model.

2.18 Review and approve, or review and recommend to the Board for approval (as the case may be), the policies as set out in the Board Policy Schedule.

3. MEETINGS AND MEMBERSHIP

Committee Chair

3.1 A Non-executive Director (other than the Board Chair) will chair the Committee, as appointed by the Board from time to time. If the Committee Chair is absent, or unable to chair the meeting due to a conflict of interests, the other members shall elect one of their number to chair the meeting.

Members

3.2 The Committee will comprise up to four Non-executive Directors, as appointed by the Board from time to time. The Committee may operate with a vacancy.

Quorum

3.3 Meetings will be quorate if there are present at least two members. A duly convened meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Attendees

3.4 The Chief Executive Officer, Chief Financial Officer, Chief Risk & Compliance Officer, and Chief Growth Officer will usually attend Committee meetings.

3.5 Other Non-executive Directors may attend meetings at their discretion.

3.6 The Committee may invite other individuals to attend all or part of any meeting.

Frequency

3.7 The Committee will meet at least four times per year and otherwise as required. The Committee Chair may convene meetings at any time to consider any matter that is within the scope of these terms of reference.

3.8 The Chief Risk & Compliance Officer shall have direct access to the Committee Chair and should meet privately with the Committee at least once a year.

Secretary

3.9 The General Counsel & Secretary or their nominee will be secretary to the Committee.

Agenda and papers

3.10 The Secretary will send notice of each meeting, an agenda and supporting papers to members, and (as appropriate) attendees at least six days before the date of the meeting.

Minutes and reporting

3.11 The Secretary will take minutes of meetings and send them to the Committee Chair within a reasonable timeframe after the meeting. Following the Committee Chair's approval, the draft minutes will be made available to other Committee members and submitted to the Committee for approval at the next meeting.

4. OTHER MATTERS

Transparency

4.1 The Committee Chair should be available to attend the annual general meeting and answer members' questions on the Committee's role and responsibilities.

4.2 The Committee should ensure that there is in the annual report and accounts:

(1) a description and assessment of the Society's emerging and principal risks, and an explanation of how they are being managed or mitigated; and
(2) an explanation of what procedures are in place to identify and manage emerging risks.

Performance review

4.3 Assess the Committee's performance periodically and report the outcome to the Board.

4.4 Review these terms of reference periodically and (if thought fit) recommend any changes to the Board for approval.

Authority

4.5 The Board has delegated to the Committee authority in respect of the functions and powers set out in these terms of reference. The Committee is authorised to obtain, at the Society's expense, outside legal or other professional advice on any matters within its terms of reference. The Committee may investigate any activity within its terms of reference, seek any information it requires from any employee, and all employees shall co-operate with any reasonable request made by the Committee.