

EARL SHILTON BUILDING SOCIETY

Assets and Liabilities Committee – Terms of Reference

Constitution

The Board has established a Committee to be known as the Assets and Liabilities Committee (ALCO).

Membership

The Committee comprises the Executive Directors, the Business Development & Marketing Manager, the Financial Controller, the Customer Services Manager and the Risk & Compliance Manager, as determined by the Board from time to time. The Chair of the Committee is appointed by the Board and this position is currently held by the Deputy Chief Executive & Finance Director. A quorum shall be three members, provided that at least one of these is an Executive Director. Three Non-Executive Directors will be expected to attend, with a minimum of two to form a quorum. Other Non-Executive Directors not present at the ALCO are provided with the Committee papers for each and every meeting.

Attendance at Meetings

The Committee will meet monthly except when the Board does not meet in a month. Other members of the Board may attend with the permission of the Committee's Chair, and the Committee may require the attendance of any other member of staff.

Authority

The Committee may hold additional meetings as it feels appropriate. It may seek any information it requires from employees, and may obtain external legal or other professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

To monitor how effectively the Society is managing its financial risks (including compliance with regulatory expectations which seeks to limit their impact), its profit and loss account and the management of its balance sheet, and to make appropriate recommendations to the board. In particular, and without limitation:

- To consider, at least annually, the policies of the Society which relate to financial risk and to recommend changes to the Board where appropriate.
- To review economic trends which may impact the Society and recommend strategic changes to the Board if necessary.
- To manage the interest rate margin, approving changes to the interest rates of society products as necessary.
- To provide oversight of liquidity, funding and liquidity risk appetite measures.
- To monitor interest rate risk and basis risk.
- To consider and approve, including the risk characteristics of, new or amended retail savings and mortgage products.
- To approve pricing structures for new mortgage and savings products where these are outside the mandate of the Executive Directors.

- To review annually the ILAAP document, and Funds Transfer Pricing Policy, and make recommendations to the Board for amendments
- To approve annually the Treasury Procedures
- To approve treasury counterparties, and oversee removal, and notify the board of changes and monitor the Society's compliance with agreed treasury limits.
- To review the outcomes of liquidity stress testing exercises and recommend any necessary consequent changes to the Society's liquidity policies.
- To monitor the Society's compliance with the liquid asset buffer
- To review the Society's exposure to non-administered rates on at least a quarterly basis, and recommend any necessary product changes.
- To review mortgage credit risk (and MIG arrangements), climate change, mortgage arrears & forbearance, and associated MI, consider trends and recommend any appropriate action and changes in policy to the Board.
- To promote positive customer outcomes when decisions are taken.
- To review these terms of reference annually and recommend any changes to the Board.
- To consider any other relevant matter not specifically referred to above.

Reporting

The minutes of meetings will be circulated to all members of the Board, and all decisions made by the Committee would be notified timely to the Board who, by exception, retain the standard power of veto.

Review

These Terms of Reference, and the Committee's effectiveness, are subject to annual review by the Committee, with the Board ultimately approving the Committee's Terms of Reference.

July 2023