



Enterprise Risk Management
Committee of the Board of
Directors of TowneBank Charter

As adopted by the Board of Directors on March 22, 2023

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1.0 PURPOSE

The purpose of the Enterprise Risk Management Committee (the Committee) of the Board of Directors (the Board) of TowneBank (the Company, the Bank, TowneBank, or Towne) is to assist the Board in its oversight of the enterprise risk management program at Towne. In furtherance of this purpose, the Committee shall:

- Oversee management's development and implementation of Towne's Enterprise Risk Management program (the program), inclusive of risk appetite, with an enterprise view of risk tolerances, risk limits, and key risk indicators, which are integral components of the program. In addition, the program includes consistent processes for identifying, assessing, managing, monitoring, and reporting risks of all types, including credit risk, market risk, liquidity risk, compliance risk, cyber and security risk, operational risk, strategic risk, and reputation risk;
- Ensure that risk processes are supported by a risk governance structure that includes oversight by the Board, policies, risk limits, and risk committees, and further by a culture that supports risk management objectives and reflects accountability by all lines of defense;
- Question, challenge, and when necessary, oppose recommendations and decisions made by management that could cause the Company's risk profile to exceed its risk appetite or jeopardize the safety and soundness of the Bank;
- Oversee supervisory and internal audit findings related to enterprise risk and the actions to remediate them; and
- Oversee Towne's goals, policies, procedures, and disclosures related to environmental, social, and governance (ESG) matters, in conjunction with management and other Board committees, as appropriate.

2.0 COMMITTEE MEMBERSHIP AND AUTHORITY

The Committee shall consist of three or more non-executive members of the Board, in addition to the Executive Chairman, the Chief Executive Officer, the Chief Operating Officer, and the Chief Risk Officer. The Committee members shall be appointed by the Board and shall serve until their successors are duly appointed by the Board, or until their earlier death, resignation, or removal.

The Committee members shall possess the appropriate backgrounds and experience to discharge the Committee's responsibilities, and Committee membership shall meet all applicable regulatory and legal requirements regarding expertise and other qualifications.

Unless a Chair is elected by the full Board, members of the Committee shall designate one member of the Committee as its Chair. The Chair shall be a non-executive member of the Board. The Committee may delegate to its Chair such power and authority as the Committee deems appropriate, except such powers and authorities required by law or regulation to be exercised by the full Committee. The Chair shall preside at meetings of the Committee and shall have authority to convene meetings, set agendas for meetings in consultation with the Chief Risk Officer, and determine the Committee's information needs, except as otherwise provided by action of the Committee. In the absence of the Chair at a duly convened meeting, the Committee may select another non-executive Board member of the Committee to serve as temporary Chair of the meeting.

The Committee shall have full access to any relevant records of the Bank and have the power and authority to obtain, at its discretion, advice and assistance from internal or external financial, legal, accounting or other advisers. The Committee shall have sole authority to hire and compensate external advisors at the Bank's expense.

3.0 COMMITTEE MEETINGS

The Committee shall meet at least four times each year and additionally as the Committee or the Chair deems advisable. The Chair, in consultation with the Chair of the Board and management of the Company, shall establish the schedule of its regular meetings. The Chair or at least two other Committee members shall have the authority to convene a meeting of the Committee. Meetings of the Committee may be held telephonically or through other technological means. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of the Committee. The Committee may invite any director, officer, or employee of the Bank, or others to attend the meeting and provide pertinent information. The Committee may meet in executive session, at the discretion of the Chair, outside the presence of any member of management of the Company, and each meeting agenda shall allow time for such executive session. The Committee may otherwise establish its own rules of procedure. Minutes or other records of the Committee's meetings and activities shall be maintained.

4.0 KEY RESPONSIBILITIES

The Committee shall have the responsibilities set forth in this charter and any additional responsibilities delegated to the Committee by the Board, as and to the extent the Board determines necessary or appropriate. The Committee is authorized by the Board to make all decisions and determinations and grant all approvals necessary or desirable to carry out these responsibilities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time. The Committee shall report regularly to the Board on Committee decisions, determinations, approvals and findings, but is empowered to take such actions without further authorization of the Board. The Committee may form and delegate authority, including the authority to take action in relation to any of the Committee's responsibilities, to subcommittees consisting of at least two Committee members when the Committee deems it appropriate.

4.1 Enterprise Risk Management

- Periodically review, approve, and oversee the Company's Risk Appetite Framework, including the development of risk tolerances, risk limits, and key risk indicators;
- Periodically review, approve, and oversee the Company's Enterprise Risk Management Framework, including the development of effective policies, processes, and programs to ensure risks are properly managed and controlled, and within the Company's risk appetite as approved by the Board;
- Ensure that the Company is taking appropriate measures to apply consistent methodologies for identifying, assessing, managing, monitoring, and reporting risk to the Company, including the categories of credit risk, market risk, liquidity risk, cyber and security risk, operational risk, compliance risk, strategic risk, and reputation risk;
- Regularly review reporting that provides a high-level dashboard view of the inherent risk, adequacy of controls, and residual risk by risk category and comparison of residual risk to risk tolerance for each risk category; key risk indicators; top and emerging risks; and risk limits;
- Review and discuss with management reports on other selected risk types as deemed appropriate by management or the Committee;
- Oversee and review with management the Company's model risk management program, risk assessment thereof, and related policies and controls;
- Oversee and review with management the Company's vendor risk management program, risk assessment thereof, and related policies and controls;
- Oversee and review with management the Company's cybersecurity risk program, risk assessment thereof, and related policies and controls;

- Oversee and review with management the Company’s business continuity, disaster recovery, and catastrophic risk policies and controls, and periodically receive summary reports on the testing of the Company’s backup systems related thereto;
- Oversee and review with management the Company’s BSA/AML and OFAC programs, risk assessment thereof, and related policies and controls;
- Oversee and review with management the Company’s compliance risk management program, risk assessment thereof, and related policies and controls;
- Oversee and review with management a risk assessment of the Company’s compensation plans;
- Consult with other committees of the Board on risk-related matters as deemed appropriate by the Committee or the Committee Chair; and
- Directly oversee the Company’s Chief Risk Officer.

4.2 Supervisory and Audit Findings

- Oversee and review with management any regulatory examination and internal audit findings related to enterprise risk and related programs; and
- Review the adequacy and effectiveness of remediation plans to address these findings.

4.3 Environmental, Social, and Governance Matters

- Oversee and review with management the Company’s goals, strategies, and commitments related to ESG, including, without limitation, community and social impact, human capital management, diversity and inclusion, and climate risks and opportunities;
- Monitor and assess the Company’s performance related to its ESG goals, strategies, and commitments; and
- Oversee and review with management the Company’s ESG-related public statements and disclosures, and ESG-related engagement efforts with shareholders, members, and other key stakeholders.

4.4 Report and Self-Evaluate

- Conduct annual self-evaluations of the performance of the Committee, including its effectiveness and compliance with this charter;
- Periodically review and reassess the adequacy of this charter, and recommend to the Board amendments as the Committee deems appropriate;
- Report regularly to the Board with respect to its meetings, significant developments in the course of performing its duties and responsibilities or in the Company’s Enterprise Risk Management program and any other matters the Committee deems appropriate or the Board requests.

5.0 CHARTER ADMINISTRATION

5.1 Charter Maintenance

This charter is maintained by the Enterprise Risk Management Department. Revisions are reviewed and approved by the Chief Risk Officer before presentation to the Enterprise Risk Management Committee. The Enterprise Risk Management Committee reviews and approves the charter before presentation to the Board for its review and approval. Both the Enterprise Risk Management Committee and the Board must approve this charter annually.

5.2 Contact Information

For all inquiries, please contact Adam O'Neil at adam.oneil@townebank.net or 757-673-1507.

5.3 Version History

Version #	Implemented By	Revision Date	Approved By	Approval Date	Reason
1.0	Andy Lock		BoD	12/20/17	Initial Charter
2.0	Andy Lock	11/13/18	BoD	12/19/18	Revise title for Bob Aston
3.0	John Wallace	03/02/20	ERMC BoD	03/09/20 03/25/20	Alignment with ERM Policy, clarification of CRO role, revised format
4.0	John Wallace	03/01/21	ERMC BoD	03/08/21 03/24/21	Added oversight of cybersecurity, BCP, BSA/AML/OFAC, and compliance risk programs
5.0	John Wallace	03/07/21	ERMC BoD	03/14/22 03/23/22	Added effective challenge and ESG
6.0	Adam O'Neil	03/22/23	ERMC BoD	03/13/23 03/22/23	No changes from previous version of the charter