



Risk Committee Terms of Reference

1. Membership

- 1.1 Members of the Risk Committee (the “Committee”) shall be appointed by the Board on the recommendation of the Nominations and Governance Committee. The Committee shall comprise not less than three members. All members shall be independent non-executive directors. At least one member shall have recent relevant risk oversight experience.
- 1.2 The chairman of the Committee shall be appointed from time to time by the Board. In case of the temporary absence of the chairman one of the Committee members nominated by the chairman or elected by the other members of the Committee shall act as chairman. Where at any meeting of the Committee an equal number of votes have been cast for and against any resolution, the chairman of the Committee shall be entitled to a casting vote. The chairman of the Committee must also be a member of the Audit Committee.
- 1.3 The quorum shall be any two members.
- 1.4 Members of the Committee shall be identified in the Company’s annual report.

2. Secretary

- 2.1 The Secretary of the Committee shall be appointed from time to time by the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- 2.2 The Secretary of the Committee shall ascertain at the beginning of each meeting if any conflict of interest exists and shall minute it accordingly.

3. Authority of the Committee

- 3.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires

from any employee and all employees are directed to co-operate with any request made by the Committee.

4. Attendance at meetings

- 4.1 No-one other than the chairman of the Committee, members, and other non-executive directors are entitled to be present at meetings of the Committee. The Chief Executive, Chief Financial Officer, Chief Risk Officer ("CRO"), General Counsel, Head of Compliance, Chief Internal Auditor and the External Audit Partner will normally attend the meetings. Other members of the executive will attend by invitation, as appropriate.
- 4.2 The Committee will meet from time to time without any executives present and will also meet from time to time with only the CRO, General Counsel and Head of Compliance present.
- 4.3 The CRO, General Counsel and Head of Compliance will have direct access to the chairman of the Committee and members at all times.

5. Frequency of meetings

- 5.1 Meetings shall be held no less than four times a year.
- 5.2 The CRO, General Counsel, Head of Compliance, Chief Executive and any independent non-executive director may request a meeting of the Committee at any time outside the normal schedule of meetings if they feel this to be necessary.

6. Purpose of the Committee

- 6.1 The Risk Committee is responsible for reviewing and reporting its conclusions to the Board on:-
 - 6.1.1 the Group's risk appetite (the extent and categories of risk which the Board regards as acceptable for the Group to take);
 - 6.1.2 the Group's risk management and compliance framework (embracing principles, policies, methodologies, systems, processes, procedures and people); and
 - 6.1.3 the Group's risk culture to ensure that it supports the Group's risk appetite.
- 6.2 The Committee will take a current and forward looking view anticipating changes in business conditions and regulation.

7. Duties and Responsibilities of the Committee

The duties and responsibilities of the Committee shall be to:-

- 7.1 oversee the development, implementation, effectiveness and maintenance of the Group's overall risk management and compliance framework and its risk appetite, principles and policies to ensure that they are in line with emerging regulatory, corporate governance and industry best practice and support the Group's strategy;
- 7.2 review new risk principles and policies and any material amendments recommended by the Executive, for approval by the Board;
- 7.3 consider future and emerging risks and current and upcoming regulatory developments and advise the Board as appropriate;
- 7.4 review the level of risk within each business lines and assess its comparability to the risk appetite set by the Committee;
- 7.5 oversee the Group's actual risk exposures and risk and compliance management practices to ensure that they are effective, in line with risk appetite and comply with regulatory requirements or any other higher standards set by the Board;
- 7.6 consider the prospects of the Company, in light of its current position and principal risks and assess whether there is reasonable expectation that the Company will be able to continue to operate and meet its liabilities as they fall due;
- 7.7 review the Group's prudential regulatory requirements and related submissions (capital and liquidity/ ICAAP) and make recommendations to the Board;
- 7.8 consider the risks arising from any strategic initiatives and advise the Board accordingly;
- 7.9 review the annual Risk and Compliance work plans;
- 7.10 align the key risks of the Company to the internal audit plan;
- 7.11 oversee the independence and effectiveness of the Risk and Compliance functions including adequacy of resourcing, capabilities and succession planning;

- 7.12 ensure the Board receives appropriate and timely risk and compliance information;
- 7.13 review the appointment, resignation or dismissal of the Chief Risk Officer, General Counsel and Head of Compliance and make appropriate recommendations to the Board;
- 7.14 review management's and the internal auditor's reports on the effectiveness of systems for risk management;
- 7.15 monitor the risk management and compliance framework by ensuring that an annual review of their effectiveness has been carried out;
- 7.16 provide input to the Remuneration Committee on the alignment of remuneration to risk performance;
- 7.17 facilitate the effective contribution and involvement of non-executives and aid their understanding of risk issues and the way they are managed in the Group;
- 7.18 liaise with the Audit Committee to ensure clear delineation of responsibilities; and
- 7.19 review the Group's culture monitoring arrangements.

8 Reporting Procedures

- 8.1 A note of the decisions of the Committee signed by the chairman of the Committee shall be sufficient record and conclusive evidence of the validity of the Committee's decisions.
- 8.2 The Secretary of the Committee shall circulate the minutes of the meetings of the Committee to all members of the Board as appropriate.
- 8.3 The chairman of the Committee shall attend each AGM and shall be available to answer questions raised by shareholders at the AGM.
- 8.4 The Committee shall review all risk related disclosures contained within the Company's Annual Report, ensuring the relevant information requirements of the UK Corporate Governance Code and any applicable legislation and guidance are met.

9 Procedural and Other Matters

- 9.1 The Committee shall arrange, at least annually, for the periodic review of its own performance and its terms of reference and recommend any changes it considers necessary to the Board for approval.
- 9.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required.
- 9.3 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 9.4 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

Approved on: 24 January 2019