

# Close Brothers Group plc

## Risk Committee (the “Committee”)

### Terms of Reference

#### 1. Purpose and authority

The Committee is a committee of the Board of Close Brothers Group plc (the “**Board**”) from which it derives its authority and to which it reports. The Committee has delegated authority from the Board in respect of the duties, authority and responsibilities set out in these Terms of Reference.

The Committee has responsibility for risk management oversight of Close Brothers Group plc and each of its subsidiaries and divisions, being the Banking division (including Close Brothers Limited), Winterflood Securities (including Winterflood Securities Limited) and Close Brothers Asset Management (including Close Asset Management Limited) (the “**Group**”). Accordingly, unless the context requires otherwise, the duties and responsibilities of the Committee in these Terms of Reference shall cover the Group.

The Committee provides oversight and advice to the Board on:-

- 1.1 Group Risk Appetite
- 1.2 Group Risk Profile and alignment to risk appetite
- 1.3 Risk management framework and compliance systems
- 1.4 Alignment of reward structures to risk appetite
- 1.5 Risk management culture.

In carrying out its duties, the Committee will act in accordance with relevant legislative and regulatory requirements. In particular, the Committee members will take into account the directors’ duties contained in the Companies Act 2006, and will consider the factors listed in section 172 of the Act and any other relevant factors.

#### 2. Membership

2.1. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination and Governance Committee in consultation with the Chairman of the Committee. The Committee shall be made up of at least three members and should include the Chairman of the Audit Committee. All of the members should be independent non-executive directors. Members as a whole shall have appropriate knowledge, skills and experience to fully understand risk appetite and strategy. The Committee as a whole shall have competence relevant to the sector in which the Group operates.

2.2. Only members of the Committee have the right to attend Committee meetings; however other members of the Board are invited to attend. The Group Chief Risk Officer, Group Finance Director and Group Chief Executive Officer are expected to attend meetings and other members of the management will attend

as appropriate. Other individuals such as external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

2.3. The Board shall appoint the Committee Chairman (the “**Chairman**”) who should be an independent non-executive director. In the absence of the Chairman or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting. The Chairman of the Board may be appointed as a member of the Committee.

### 3. **Secretary**

3.1. The Company Secretary or their nominee shall act as the Secretary of 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.

### 4. **Quorum**

4.1. The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee 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.

### 5. **Frequency of Meetings**

5.1. The Committee shall meet at least four times a year and at such other times as the Chairman shall require.

### 6. **Notice of Meetings**

6.1. Meetings of the Committee shall be summoned by the Secretary at the request of the Chairman or any of its members.

6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than three working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### 7. **Minutes of Meetings**

7.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

7.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Board.

### 8. **Engagement with Shareholders**

8.1. The Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee’s activities. In addition, the Chairman should seek engagement with shareholders on significant matters related to the Committee’s areas of responsibility as appropriate.

### 9. **Duties**

The Committee considers all relevant Risk types covered in the Group’s enterprise risk management framework.

The Committee shall:

### 9.1. Group Risk Appetite

- 9.1.1. review and recommend to the Board, the Group's overall risk appetite and a Group risk appetite statement; and
- 9.1.2. provide oversight and challenge of the metrics used to monitor the Group's risk management performance.

### 9.2. Group Risk Profile and Alignment to Risk Appetite

- 9.2.1. understand, oversee management of, and provide advice to the Board on, the current risk exposures of the Group with particular emphasis on prudential and conduct risks;
- 9.2.2. consider and monitor the Group's risk profile in relation to current and future Group strategy and ensure that it is consistent with the Group's risk appetite;
- 9.2.3. review and assess the Group's liquidity profile, the effectiveness of the Group's liquidity management systems and the overall liquidity risk framework prior to approval by the Board;
- 9.2.4. consider and monitor the Group's aggregate model risk profile, providing challenge to model outputs and understanding model capabilities, limitations and the potential impacts of model uncertainty for the Group's most material models. To support this, the Committee will have oversight of the Model Governance Committee ("**MGC**") and will (i) receive copies or a summary of the MGC's minutes (ii) periodically review and approve the Terms of Reference of the MGC and (iii) via the Group Chief Risk Officer, receive reports or updates on matters considered by the MGC as relevant;
- 9.2.5. oversee the Capital Adequacy Committee ("**CAC**") and (i) receive copies or a summary of the CAC's minutes (ii) periodically review and approve the Terms of Reference of the CAC and (iii) via the Group Finance Director, receive reports or updates on matters considered by the CAC as relevant;
- 9.2.6. review and challenge reports (including periodic portfolio reviews presented to the Committee) and recommendations regarding the Group's current risk exposures and overall risk strategy and discuss mitigation with the executive, providing advice as appropriate;
- 9.2.7. consider the material findings of Risk and Compliance reviews and associated recommendations and monitor resolution;
- 9.2.8. together with the Audit Committee where appropriate, consider the material recommendations of the Group's internal or external auditors on matters within the remit of the Committee;
- 9.2.9. consider and review the current and prospective macro-economic and financial environment, drawing on financial stability assessment such as those published by the Bank of England, the PRA, FCA and other sources that may be relevant to the impact on current and emerging risks;

- 9.2.10. identify, review and assess emerging and principal risks and risk issues, and consider the Group's capability to identify and manage these appropriately. Approve and monitor early warning indicators where appropriate;
- 9.2.11. advise the Board on the likelihood and impact of principal risks materialising and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact;
- 9.2.12. oversee and challenge the risk framework employed by the Group to manage the financial risks from climate change;
- 9.2.13. consider any major findings of the Bank of England, PRA, FCA or other relevant regulator and management's response to any risk management reviews;
- 9.2.14. consider and assess the implications of proposed regulatory and legal changes that are material to the Group's risk profile, risk appetite and management of risk;
- 9.2.15. review the circumstances surrounding risk events to satisfy itself that the investigation has been sufficiently detailed and that appropriate actions are identified (including appropriate consideration of any impact on remuneration outcomes) and implemented in a timely manner to mitigate against a future recurrence;
- 9.2.16. oversee and challenge due diligence on risk issues relating to material transactions including acquisitions or disposals and strategic proposals that are subject to approval by the governing body, advising the Board as necessary;
- 9.2.17. within the context of the Operational Resilience Framework, ratify important business services across the Group, agree impact tolerances in respect thereof, and periodically review the Group's capacity to operate important business services within agreed impact tolerances.

### **9.3. Risk Management Framework and Compliance Systems**

- 9.3.1. provide oversight and challenge to the appropriateness and effectiveness of the Group's risk management framework and compliance systems including the ongoing risk management and oversight arrangements of the executive. As part of this, the Committee will have oversight of the Group Risk and Compliance Committee (the "**GRCC**") and will (i) receive copies or a summary of the GRCC's minutes (ii) periodically review and approve the Terms of Reference of the GRCC and (iii) via the Group Chief Risk Officer, receive reports or updates on matters considered by the GRCC as relevant;
- 9.3.2. in conjunction with the Audit Committee, keep under review and monitor the effectiveness of the Group's internal control and risk management systems;
- 9.3.3. review and approve the statements to be included in the Annual Report concerning risk management, including the assessment of principal risks and emerging risks;

- 9.3.4. consider, oversee and challenge the design and execution of stress and scenario testing, including oversight and challenge of the ICAAP and ILAAP processes;
- 9.3.5. review and approve those Group policies which from time to time fall to be considered by the Committee under the Group Policy Framework;
- 9.3.6. review and challenge reports from the Group Chief Risk Officer and the Group Head of Compliance on relevant matters;
- 9.3.7. where considered appropriate, provide input or advice on the appointment of external consultants or advisers that the Board or other Board Committees may decide to engage;
- 9.3.8. review and approve the Risk and Compliance Assurance Plan at least annually, including any significant changes made thereto over the course of the year; and
- 9.3.9. provide oversight of whether individual and collective risk and control accountabilities, as required under the UK Senior Managers and Certification Regime and other similar regimes, are clearly and adequately documented, communicated and embedded.

#### **9.4. Fraud, Bribery and Compliance Oversight**

- 9.4.1. review the company's procedures for detecting fraud;
- 9.4.2. review the company's procedures for prevention of bribery and receive reports on non-compliance;
- 9.4.3. consider the remit and activities of the risk and compliance functions and ensure they have adequate resources and appropriate access to information to enable them to perform their functions effectively and in accordance with relevant professional standards;
- 9.4.4. review regular reports from the Group Head of Compliance and keep under review the adequacy and effectiveness of the company's compliance function.

#### **9.5. Alignment of Reward Structures to Risk Appetite**

- 9.5.1. through the Committee Chairman (with input from the Group Chief Risk Officer, where appropriate), provide advice or input to the Remuneration Committee on (i) the design of remuneration policies and the alignment of reward structures and outcomes to the Group's risk appetite and (ii) considerations to be applied to performance objectives (including risk management objectives) incorporated in the incentive structure for the executive and other relevant Group employees.

#### **9.6. Risk Management Culture**

- 9.6.1. ensure the risk and compliance functions have adequate independence and are free from management influence or other restrictions and that the Group Chief Risk Officer has direct access to the Chairman, the chairman of the Board, and the Committee; and
- 9.6.2. provide the advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the Group.

## 9.7. Other

9.7.1. consider and approve the appointment and dismissal of the Group Chief Risk Officer who shall report to and whose performance will be reviewed by the Group Chief Executive Officer and the Chairman of the Committee; and

9.7.2. consider and approve the appointment and dismissal of the Group Head of Compliance who shall report to and whose performance will be reviewed by the Group Chief Risk Officer with input from the Chairman of the Committee.

## 10. Reporting Responsibilities

10.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and adequate time should be made available for Board discussion when necessary.

10.3. The Committee shall produce a report of its activities and the Group's risk management, compliance systems and strategy to be included in the company's annual report.

10.4. The directors' report (or other permitted section) in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments, and such information about the Company's principal and emerging risks as is required by the UK Corporate Governance Code (the "**Code**").

## 11. Other matters

The Committee shall:

11.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required;

11.2. 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;

11.3. give due consideration to relevant laws and regulations, the provisions of the Code and associated guidance, the requirements of the FCA's Listing Rules, Prospectus Regulations Rules, Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;

11.4. oversee any investigation of activities which are within its terms of reference; and

11.5. work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls on the work of other committees;

11.6. arrange for periodic reviews of its own performance and, at least annually review its constitution and terms of reference to ensure it is operating at

maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **12. Authorisations**

The Committee is authorised:

- 12.1. to seek any information it requires from any employee of the Group in order to perform its duties, and to call any employee to be questioned at a meeting of the Committee as and when required;
- 12.2. to delegate any matter or matters to another committee or person(s) as it deems appropriate;
- 12.3. to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference, including reports on key risk issues; and
- 12.4. to publish in the company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board.

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