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ARBUTHNOT LATHAM
Private Bankers
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Risk Committee Terms of Reference

Arbuthnot Latham & Co., Limited

Approved by AL Board
23 May 2018
(September 2018 Update)

Version 2018b

Owner: Chair of Risk Committee

Risk Committee – Terms of Reference

Chair	Paul Marrow, Chair of Risk Committee (SMF10), Independent Non-Executive Director
Secretary	Nick Jennings, Company Secretary
Members	James Cobb, Group Finance Director and Deputy Chief Executive, AL Stephen Fletcher, Deputy Chief Executive and Managing Director, Commercial Banking, AL Andrew Salmon, Group Chief Operating Officer and Chief Executive, AL
Membership	<p>The Board shall appoint the Chair of the Committee (the “Chairman”), who shall be an independent Non-Executive Director. In the absence of the Chairman, the remaining members present shall elect one member to chair the meeting, who need not be an independent Non-Executive Director.</p> <p>The Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman. The Committee shall comprise at least three members.</p> <p>Members of the Committee must have the appropriate knowledge, skills and expertise to understand and monitor the risk strategy and risk appetite of the business.</p>
Attendance	<p>The quorum necessary for the transaction of business shall be three members of the Committee one of whom must be the Chairman or his chosen alternate.</p> <p>A duly convened and quorate meeting of the Committee shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.</p>
Meetings	<p>The Committee shall meet at least six times in each financial year at appropriate intervals in the financial and regulatory reporting cycle and at such other times as required for the Committee to effectively discharge its responsibilities.</p> <p>Meetings of the Committee shall be called by the Chairman or by the Secretary at the request of the Chairman at times set in respect of each financial year; and at the request of any of the members of the Committee or at the request of any of the following people if they consider a meeting to be necessary:</p> <ul style="list-style-type: none"> (a) the Chairman of the Board; and (b) the Chairman of the Audit Committee. <p>Additionally, the following people may request the Chairman, at his sole discretion, to call a meeting if they consider a meeting to be necessary:</p>

	<p>(a) the Finance Director;</p> <p>(b) the Head of Compliance & MLRO; and</p> <p>(c) the Head of Internal Audit.</p> <p>Unless otherwise agreed by the Chairman, notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and to other attendees as appropriate, no later than seven days before the date of the meeting.</p>
<p>Delegated Authority</p>	<p>The Committee is authorised by the Board to undertake or investigate any activity within its terms of reference. The Committee is entitled to sufficient resources from the Company and/or any subsidiary of the Company (together with AL, the “AL Group”) to undertake its duties and may at any time ask the Group Head of Compliance and the Head of Internal Audit to carry out such independent reviews as it deems necessary and report back to the Committee.</p> <p>In particular, the Committee is authorised to:</p> <ul style="list-style-type: none"> • obtain any information it requires from any employee of the AL Group in order to perform its duties; • seek any information it requires from persons outside the AL Group to perform its duties; • conduct or authorise any investigation into matters within its scope of responsibility; • obtain, at the AL Group’s expense and at reasonable cost, independent legal, accounting or other professional advice on any matter on which it believes it necessary or desirable so to do; • call any employee or contractor of the AL Group to be questioned at a meeting of the Committee as and when required; • liaise regularly with other committees and in particular the Audit Committee and the Assets and Liabilities Committee, and where there is perceived to be an overlap of responsibilities between the Committee and any other committee, the respective committee Chairmen shall have discretion to agree the most appropriate committee to discharge any responsibility. A responsibility falling under the terms of reference of the Committee and any other committee will be deemed to have been fulfilled provided that is dealt with by either the Committee or the other committee.
<p>Proceedings of the Committee</p>	<p>Only Committee members have the right to attend Committee meetings. However, the Committee may invite the Chairman of the Board, Finance Director, Group Head of Compliance, Head of Credit, Head of Internal Audit, Head of IT, Head of Risk and Chair of Audit Committee to attend all or part of any meeting as and when appropriate or necessary.</p> <p>The Committee may meet separately with any Executive Director of the AL Group.</p>

	<p>Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chairman having a second, casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.</p>
Meeting Administration	<p>The Secretary shall minute the proceedings and decisions of all Committee meetings and record the name of those present and in attendance.</p> <p>Draft minutes of Committee meetings shall, following review by the Chairman, be circulated to all members of the Committee as soon as practicable after each meeting. Once approved, minutes shall be circulated to all other members of the Committee and to the Board at the next following Board meeting.</p> <p>Final signed copies of the minutes of the meetings of the Committee shall be maintained as part of the records of the Company.</p>
Scope	<p>The Chairman shall report to the Board at each Board meeting on all matters within its duties and responsibilities and shall also update the Board on how it has discharged its responsibilities and report on any other issues on which the Board has requested the Committee’s opinion.</p> <p>The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. Any recommendation of the Committee shall take effect only if approved by the Board.</p>
Main Responsibilities	<p>The Committee exercises its internal control and risk management role through the reports it receives in relation to the AL Group from the Assets & Liabilities Committee (“ALCO”), Conduct Risk Committee, CASS Committee, AML Committee and Risk Management Committee, together with its engagement with internal and external auditors and consultants.</p> <p>The Committee in relation to the AL Group:</p> <p><u>General</u></p> <ul style="list-style-type: none"> • reviews the design and implementation of risk management policies and risk-related strategies and the procedures for monitoring the adequacy and effectiveness of these processes; • considers the AL Group’s risk appetite relative to current and future strategy; • oversees the AL Group’s Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process and outputs therefrom; • exercises oversight in relation to the current risk exposures of the AL Group; <p><u>Risk Profile</u></p>

- reviews, monitors and understands the risk profile of the AL Group (through the ongoing process of the identification, evaluation and management of all material risks);
- reviews the performance of the AL Group relative to risk appetite;
- receives and reviews reports relating to any significant issues that require, or are subject to, remedial action or recommendation;

Risk Appetite, Frameworks and Limits

- considers and recommends for approval by the Board, the risk appetite frameworks and overall risk appetite and tolerance and provides advice to the Board on risk appetite, tolerance and strategy;
- recommends to the Board on an annual basis risk appetite and related authorities, limits and mandates, including metrics to be used to monitor risk management performance;
- ensures rigorous stress and scenario testing of the AL Group that addresses the impact of crystallisation of identified risks and threats;
- ensures a sufficient level of risk mitigation is in place;

Risk Management Operating Model

- reviews terms of reference relating to the AL Group's Risk Management, including those of ALCO, Conduct Risk, CASS, AML and Risk Management Committees including the scope and nature of the work undertaken in all areas of risk affecting the AL Group;
- considers and approves the remit of the Risk Management function and ensures that it has adequate resources and appropriate access to information to enable it to perform its function effectively and to ensure that the Risk Management function has adequate independence and is free from management and other restrictions;
- monitors the training and development requirements of the AL Group to ensure the requisite skills are in place to control risk and promote an effective risk culture;
- oversees and challenges the day-to-day risk management and oversight arrangements of the business;

Risk Architecture

- considers the adequacy and effectiveness of the technology infrastructure supporting the risk management frameworks;
- ensures the suitability of data captured, facilitates appropriate modelling and data analysis, and enables timely and effective management information to be produced for risk-monitoring and decision-making purposes;

Operational Risk

- reviews and recommends the Operational Risk Policy and Framework;

- exercises oversight in relation to the Operational Risk Capability Assessment (ORCA);
- reviews and recommends the AL Group's Governance Manual and any changes;
- exercises oversight in relation to the AL Group's business continuity and disaster recovery plans and processes;

Regulatory and Compliance

- monitors and reviews the effectiveness of Compliance, and in particular:
 - reviews, at least annually, the AL Group's policies and procedures with respect to Compliance and anti-money laundering risk management;
 - monitors relations with regulators and arrangements for ensuring that the Company is in compliance with statutory and regulatory obligations and responsibilities;
 - receives from Compliance and Legal, briefings on changes to legal and regulatory requirements;
 - reviews the scope and nature of work of the Compliance function and keeps under review the adequacy and effectiveness of the Company's Compliance function, itself responsible for the oversight of compliance and regulatory matters within the AL Group;
 - approves the planned risk-based programme of work; and
 - receives and considers activity reports from the Compliance function explaining:
 - (a) the progress of Compliance work against plan;
 - (b) the nature and extent of any unscheduled work undertaken;
 - (c) the status of Compliance recommendations, in particular those which have not been implemented in accordance with agreed timescales;
 - (a) work undertaken to monitor changes in regulatory and legal requirements and to advise on, facilitate and monitor change;
 - (b) reviews the AL Group's processes and procedures for ensuring that applicable regulatory requirements are complied with;
 - (c) reviews the AL Group's systems and controls for the prevention of bribery and receives reports on non-compliance; and
 - (d) reviews regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the AL Group's anti-money laundering systems and controls;

	<p><u>Conduct Risk</u></p> <ul style="list-style-type: none"> • reviews reports on conduct risk and exercises oversight in relation to and challenges the way management deals with conduct risk, inter alia, critically reviewing the comprehensive management information pack; <p><u>Credit Risk</u></p> <ul style="list-style-type: none"> • monitors, reviews and recommends credit policies across the AL Group and any material changes; • monitors, reviews and recommends the terms of reference of the Credit Committee; • review reports on lending outside credit policies (exceptions reporting); <p><u>Financial Risk</u></p> <ul style="list-style-type: none"> • exercises oversight in relation to ALCO, which shall be a sub-committee of the Committee; • receives and reviews regular reports on significant litigation and compliance issues involving the AL Group; • reviews the AL Group’s policies and procedures for preventing and detecting fraud across the AL Group and reports any actual, suspected or alleged fraud (involving misconduct or unethical behaviour relating to financial reporting) or misrepresentation of assets and liabilities to the Audit Committee; and • reviews the AL Group’s cyber strategy and its resilience in dealing with cyber-attack.
<p>Other Matters</p>	<p>The Committee shall:</p> <ul style="list-style-type: none"> • 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; • oversee any investigation of activities which are within its terms of reference; • consider such other matters as may be determined by the Board; and • arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively, and report on this and any recommendations for change to the Board for the Board’s consideration and approval.