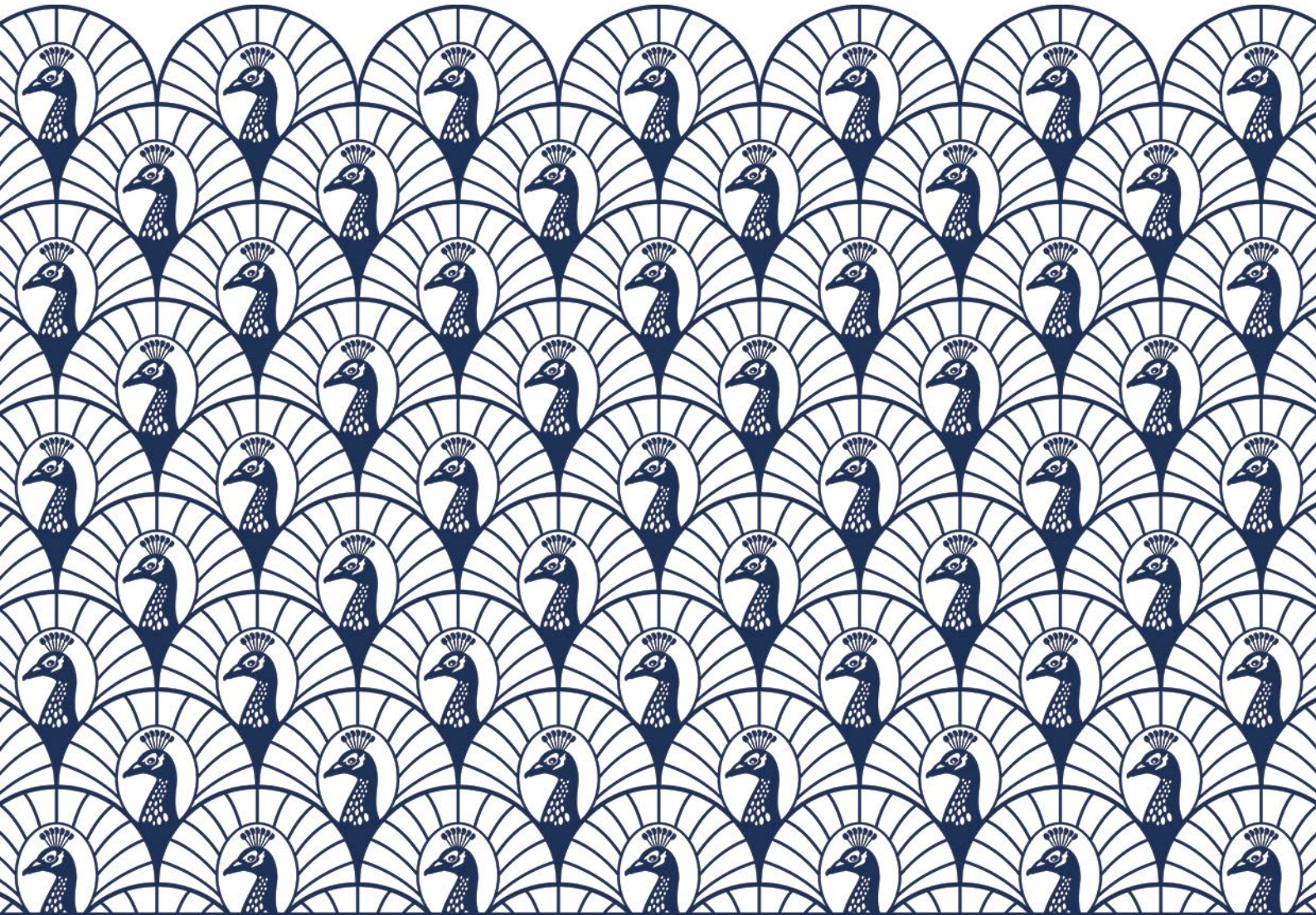




ARBUTHNOT LATHAM

Bankers since 1833



AL Board Risk Committee Terms of Reference

Approved by the AL Board

17 July 2024

AL Board Risk Committee Terms of Reference

Chair	Chair of Risk Committee (SMF10)
Secretary	Company Secretary
Members	Chair of the AL Board AL Independent Non-Executive Directors
Attendees	AL and Arbuthnot Banking Group PLC (ABG) Executive Directors AL President and Director AL Non- Independent Non-Executive Director
Invitees	ABG-only Independent Non-Executive Directors, and As requested by the Chair from time to time.
Attendance	<p>The quorum necessary for the transaction of business shall be three members of the Committee, one of whom must be the Chair 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 five 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 Chair or by the Secretary at the request of the Chair 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) President and Director; (b) Chair of the Board; (c) Chair of the Audit Committee; and (d) Chief Risk Officer. <p>Additionally, the following people may request the Chair, at his/her sole discretion, to call a meeting if they consider a meeting to be necessary:</p> <ul style="list-style-type: none"> (a) Chief Compliance Officer; (b) MLRO & Enterprise Risk; (c) Head of Internal Audit; and (d) Chief Credit Officer. <p>Unless otherwise agreed by the Chair, 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 within a reasonable time 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 Chief Risk Officer and the Head of Internal Audit to arrange or carry out (as applicable) 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 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, in particular the Audit Committee and with the Committee’s sub-Committees, being the Executive Risk Committee, Credit Committee and the Assets and Liabilities Committee. Where there is perceived to be an overlap of responsibilities between the Committee and any other committee, the respective committee Chairs 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>The Committee requires the attendance of the ‘Attendees’. In addition to the ‘Invitees’, other individuals who may be asked to attend from time to time include the Group HR Director.</p> <p>The Committee may meet separately with any 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 Chair 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/her dissent to be noted in the minutes.</p>
<p>Meeting Administration</p>	<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 be reviewed by the Chair. 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>
<p>Scope</p>	<p>The Chair shall report to the Board at each Board meeting on all matters within the Committee’s duties and responsibilities and shall also update the Board on how the Committee has discharged its responsibilities and report on any other issues on which the Board has requested the Committee’s opinion. In the event of a material item which should be drawn to the Board of ABG, the Chief Risk Officer shall update that Board of the matter in question.</p> <p>The Committee shall either, as appropriate from time to time, approve decisions or 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 to the Board shall take effect only if approved by the Board.</p>
<p>Main Responsibilities</p>	<p>The Committee is responsible for the oversight of the AL Group Principal Risks, including the mitigations put in place to manage the risks and escalation to the AL Board.</p> <p>The Committee exercises its internal control and risk management role through the reports it receives in relation to the AL Group from Executive Risk Committee, Credit Committee and ALCO. Annually the Committee reviews the ToR of each of these Sub-Committees.</p> <p>The Committee in relation to the AL Group:</p> <p><u>General</u></p> <ul style="list-style-type: none"> - exercises oversight in relation to the current risk exposures of the AL Group; - considers the AL Group’s risk appetite relative to current and future strategy including potential acquisitions; - provides advice to the Board on risk appetite, tolerance and strategy; - safeguards and promotes the 3 Lines of Defence (3LOD) organisational model; - Safeguards the independence of the Chief Risk Officer and the Compliance, Credit Risk, Operational Risk, and Financial Crime Prevention (FCP) teams (collectively known as the ‘Risk Oversight Function’); - oversees and challenges the risk management and oversight arrangements of the business and ensures that good outcomes for retail customers is a central focus of business activities. <p><u>Risk Management Framework</u></p> <ul style="list-style-type: none"> - Approves ILAAP, ICAAP and Recovery Plan - Approves Operational Resilience annual assessment - Approves Consumer Duty annual assessment - Approves Managing Financial Risks of Climate Change

	<ul style="list-style-type: none"> - Approves the Risk Management Policy - Approves the Risk Oversight Charter - Approves the Risk Appetite Framework - Approves the Risk Appetite Framework Measures - Approves the Report 18 <p><u>Risk Governance Oversight</u></p> <ul style="list-style-type: none"> - Reviews the scope and remit of the Risk Oversight Function and keeps under review its overall adequacy and effectiveness within the AL Group - Reviews the scope and nature of work of the Compliance team and keeps under review its overall adequacy and effectiveness within the AL Group. <p><u>Monitoring Plans</u></p> <ul style="list-style-type: none"> - Monitors and reviews the combined second and third line annual monitoring plans - Monitors and approves the annual Compliance monitoring plan. <p><u>Regulatory and Compliance Oversight</u></p> <ul style="list-style-type: none"> - Monitors and reviews the effectiveness of the AL Group’s compliance, including: <ul style="list-style-type: none"> - Relationships with the regulators - Horizon scanning on material and relevant changes to legal and regulatory requirements - Arrangements for ensuring compliance with statutory and regulatory obligations and responsibilities - Significant litigation and compliance issues - The annual whistleblowing report. <p><u>Financial Lines Insurance</u></p>
Management Information	<ul style="list-style-type: none"> - Reports relating to any significant issues that require, or are subject to, remedial action or recommendation. - AL Principal Risk Dashboard, supported by information in relation to the following key areas: <ul style="list-style-type: none"> - Strategic and Reputational risk dashboard including emerging risks and opportunities and significant strategic decisions; - Liquidity adequacy dashboard and liquidity recovery indicators; - Capital adequacy dashboard and capital recovery indicators; - Credit risk dashboard, including MI; - Conduct risk dashboard including Consumer Duty MI and Compliance and FCP Report; - Financial Crime dashboard including anti-money laundering, market abuse and fraud; - Cyber risk dashboard including key performance and risk indicators;

	<ul style="list-style-type: none"> - Operational Resilience dashboard including risk appetite measures and business continuity, disaster recovery plans and supplier management arrangements; - Operational risk dashboard including the Risk & Controls Self-Assessment (RCSA) framework and the AL Group control framework; - AAG residual value risk dashboard. - AL risk culture dashboard. - Subsidiaries' Board risk dashboards. - Environmental, Social and Governance (ESG) including diversity and inclusion. -
<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; • refer to Remuneration Committee any matters which it considers relevant to that Committee; • 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. <p>The Chair of the Risk Committee shall meet with the Chief Risk Officer, the Chief Credit Officer, Chief Compliance Officer and the MLRO & Enterprise Risk to discuss relevant matters.</p>