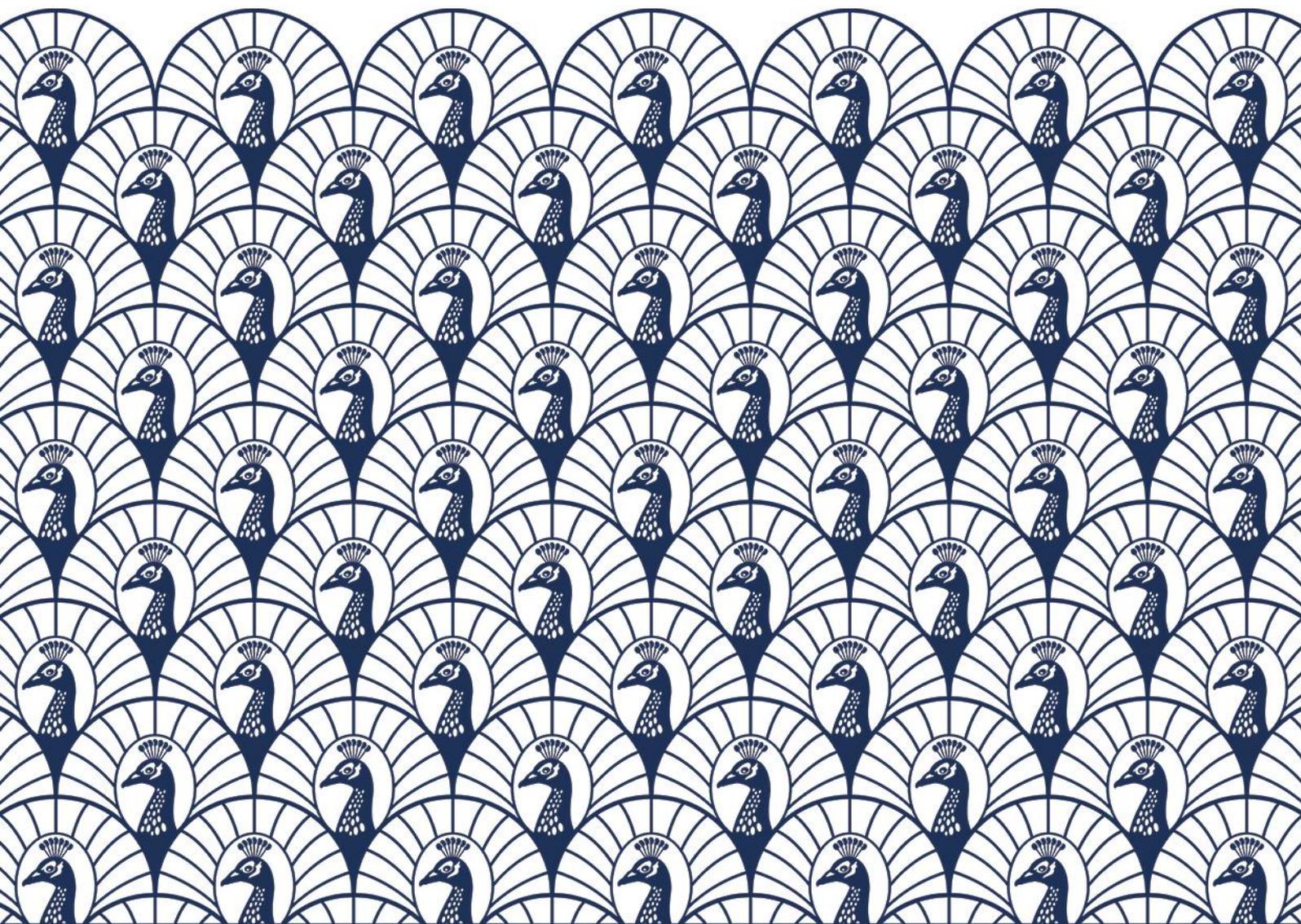




ARBUTHNOT LATHAM

Bankers since 1833



AL Risk Committee Terms of Reference

Approved by the AL Board – 17 November 2020

AL Risk Committee Terms of Reference

Chairperson	Chair of Risk Committee (SMF10)
Secretary	Company Secretary
Members	Chief Executive (SMF1) Finance Director and Deputy Chief Executive (SMF2) Deputy Chief Executive (SMF3) Non-Executive Director
Attendees	Chief Risk Officer Chief Operating Officer Chief Credit Officer Head of Compliance & MLRO Head of Operational Risk Head of HR Head of Legal
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 Risk Committee 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 and one of whom must be a Non-Executive Director.</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 provided that all decisions must be approved by at least one Non-Executive Director.</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 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>

	<p>(a) the Chairman of the Board;</p> <p>(b) the Chairman of the Audit Committee; and</p> <p>(c) the Chief Risk Officer.</p> <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 Head of Compliance & MLRO;</p> <p>(b) the Head of Internal Audit;</p> <p>(c) the Chief Credit Officer; and</p> <p>(d) the Head of Operational Risk.</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 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 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, Credit 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

	<p>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>Only Committee members have the right to attend Committee meetings. However, there is a standing invitation to all other Board members to attend should they so wish. Additionally, the Committee requires the ongoing attendance of the Chief Credit Officer, Chief Operating Officer, Chief Risk Officer, Head of Compliance & MLRO, Head of Operational Risk, Head of HR and Head of Legal all noted earlier as 'Attendees'. Other individuals who may be asked to attend from time to time include the Head of Internal Audit and the Joint Heads of IT.</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 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 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 Chief Risk Officer 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 Arbuthnot Banking Group PLC, the Chief Risk Officer shall provide a written summary to the Chief Executive for his onward notification.</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 to the Board 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 Conduct Risk Committee, Product Governance Committee, AML Committee, Fraud Committee, Operational Risk Committee and Information Security Group</p>

together with its engagement with internal and external auditors and consultants.

The Committee in relation to the AL Group:

General

- 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 and Operational Risks teams (collectively known as the Risk Oversight function);
- oversees and challenges the day-to-day risk management and oversight arrangements of the business.

Risk Management Framework

- reviews and recommends the Risk Management policy;
- reviews and recommends the Risk Appetite framework;
- reviews and recommends the AL Risk Hierarchy;
- oversees the AL Group's ICAAP, ILAAP, Operational Resilience Framework, Recovery Plan and Resolution Plan. Ensures rigorous stress and scenario testing that addresses the impact of crystallisation of identified risks and threats.

Risk Governance Oversight

- reviews terms of reference relating to the AL Group's Risk Management, including Conduct Risk, Product Governance, AML, Fraud, Operational Risk and Information Security Group Committees;
- reviews the performance of the Chief Risk Officer;
- 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 the adequacy and effectiveness of the Company's Compliance team
- ensures that the Risk Oversight functions have adequate resources and appropriate access to information to enable them to perform their respective functions effectively

- 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;

Risk Reporting

- reviews the performance relative to risk appetite across all principal risks;
- receives and reviews reports relating to any significant issues that require, or are subject to, remedial action or recommendation.

Prudential Risk

- considers a report including MI from ALCO.

Credit Risk

- considers a report including MI from Credit Committee.

Conduct Risk

- exercises oversight in relation to and challenges the way management deals with conduct risk.
- reviews the AL Group's systems and controls for the prevention of bribery and receives reports on non-compliance; and
- 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.

Regulatory and Compliance

- monitors and reviews the effectiveness of the AL Group's compliance, and in particular:
 - 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 material and relevant changes to legal and regulatory requirements (horizon scanning);
 - receives and reviews regular reports on significant litigation and compliance issues involving the AL Group;
 - reviews the AL Group's processes and procedures for ensuring that applicable regulatory requirements are complied with;
- approves the planned risk-based Compliance monitoring plan; and receives and considers activity reports explaining:
 - (a) the progress of work against plan;
 - (b) the nature and extent of any unscheduled work undertaken;
 - (c) the status of recommendations, in particular those which have not been implemented in accordance with agreed timescales.

	<p><u>Operational Risk</u></p> <ul style="list-style-type: none"> • exercises oversight in relation to the Risk & Controls Self-Assessment (RCSA) including monitoring effectiveness of the control framework via RCSA reporting; • approves the planned risk-based Operational Risk monitoring plan, and receives and considers activity reports explaining: <ul style="list-style-type: none"> (a) the progress of work against plan; (b) the nature and extent of any unscheduled work undertaken; (c) the status of recommendations, in particular those which have not been implemented in accordance with agreed timescales. <p><u>Fraud</u></p> <ul style="list-style-type: none"> • exercises oversight in relation to 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. <p><u>Operational Resilience</u></p> <ul style="list-style-type: none"> • reviews and recommends the Operational Resilience Framework; • exercises oversight in relation to the AL Group’s overall operational resilience, including business continuity, disaster recovery plans and supplier management arrangements. <p><u>Cyber Risk</u></p> <ul style="list-style-type: none"> • reviews and recommends the AL Group’s cyber strategy. • exercises oversight in relation to the AL Group’s cyber resilience. <p><u>Risk Architecture</u></p> <ul style="list-style-type: none"> • considers the adequacy and effectiveness of the technology infrastructure supporting the Risk Management Framework; • 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. <p><u>Incentives</u></p> <ul style="list-style-type: none"> • without prejudice to the tasks of the remuneration committee, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.
<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.

The Chair of the Risk Committee shall meet regularly with any or all of the Chief Risk Officer, the Chief Credit Officer, the Head of Compliance & MLRO and the Head of Operational Risk to discuss relevant matters.