

Board Risk Committee

Terms of Reference

Throughout this document, references to:

- the “**Board**” means the board of directors of Charter Court Financial Services Group plc (the “**Company**”);
- the “**Chairman**” means the chairman of the Board;
- the “**Group**” means the Company and any wholly owned subsidiary (a “**Group Company**”) which may exist from time to time;
- the “**Subsidiary Board**” means a board of directors of any Group Company;
- “**Employee**” means an employee of the Company or any Group Company.

1. Constitution

- 1.1 The Board Risk Committee (the “**Committee**”) shall comprise at least three members and include the Audit Committee chairperson. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee after consultation with the chair of the Committee (the “**Chairperson**”). A majority of members of the Committee shall be independent non executive directors.
- 1.2 The Chief Executive Officer, Chief Financial Officer and Chief Risk Officer, or his/her nominee, shall be expected to attend all Committee meetings.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals (in addition to those referred to in 1.2), including the Chief Operating Officer, Managing Director, other representatives of the risk function, compliance, and internal and external audit, may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended by the Board for further periods of up to three years, provided the member still meets the criteria for membership of the Committee.
- 1.4 The Board shall appoint the Chairperson who shall be an independent non executive director. In the absence of the Chairperson and/or an appointed deputy, the remaining members of the Committee present shall appoint one of their number to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board.

2. Purpose

The purpose of the Committee is to:

- 2.1 receive, review and recommend the acceptance or otherwise of the Risk Appetite Statement(s) which are set and owned by the Board or Subsidiary Board; to oversee ongoing adherence thereto and to consider and refer to the Board or Subsidiary Board any proposed changes, including annual review;
- 2.2 oversee, understand and review on behalf of the Board the Group risk profile as operating against risk appetite, advising the Board on current risk exposures and future or potential risk issues. This includes challenging management’s understanding and management of risk, especially related to strategy and major initiatives, and ensuring suitable risk management techniques, controls and disciplines are applied and that risk is being properly monitored;
- 2.3 oversee and review Group capital and liquidity plans to ensure capital held supports the risk profile of the business and meets current capital adequacy and future solvency requirements, and liquidity is held in sufficient quantity and quality to support future liquidity requirements;

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- 2.4 oversee and ensure the robustness and adequacy of the Internal Capital Adequacy Assessment Process (“ICAAP”), Internal Liquidity Adequacy Assessment Process (“ILAAP”) and the Recovery Plan and Resolution Pack (“RPRP”), and seek reasonable assurance that relevant risk management disciplines are embedded in planning and decision making, and issues are escalated to the Board or actions taken as appropriate;
- 2.5 oversee the implementation of a culture that emphasises and demonstrates the benefits of a risk-based approach to internal control and management within the Group, and encourage greater awareness of risk management at all levels;
- 2.6 review and debate specific risk framework documentation such as the annual review of the Credit Risk Management Framework and the Compliance Risk Framework to ensure fitness for purpose and overall effectiveness;
- 2.7 review, monitor and oversee implementation and report to the Board on the risk management framework, anticipating changes in business conditions and operations; and
- 2.8 oversee the Models and Ratings Committee (MRC), receiving appropriate reports and recommendations and exercising oversight of associated risks.

3. Membership

- 3.1 The members of the Committee are:

Tim Brooke	Independent Non-Executive Director/ Chairperson
Noël Harwerth	Independent Non-Executive Director
Ian Ward	Independent Non-Executive Director
Rajan Kapoor	Independent Non-Executive Director
Philip Jenks	Non-Executive Director/Deputy Chairman

4. Secretary

- 4.1 The Company Secretary or his/her 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.

5. Quorum

- 5.1 The quorum necessary for the transaction of business shall be two members. The Chairperson shall have the casting vote.

6. Frequency of Meetings

- 6.1 Meetings will be held not less than four times a year at appropriate times and otherwise as required.

7. Notice of Meetings

- 7.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members, or at the request of the Chief Financial Officer, Chief Risk Officer, external audit lead partner or head of internal audit if they consider it necessary.

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- 7.2 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, all other non-executive directors and any other person required to attend, no later than five 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.

8. Minutes of Meetings

- 8.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and those in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, the minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairperson.
- 8.3 Final signed copies of the minutes of the meetings of the Committee should be maintained for the company's records, in hard and soft copy where possible.

9. Annual General Meeting

- 9.1 The Chairperson should attend the annual general meeting to respond to questions from shareholders on the Committee's activities.

10. Duties

The Committee should have oversight of the Group as a whole and, unless indicated or required otherwise by regulation, carry out the duties below for the Company and each Group Company. The Committee's authority and duties in these terms of reference extend to all relevant matters concerning the Group, including relevant outsourcing arrangements.

- 10.1 Advise the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities including the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority and other authoritative sources that may be relevant.
- 10.2 Oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- 10.3 In relation to risk assessment and subject to overlap with the audit committee:
- 10.3.1 keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
 - 10.3.2 review regularly and approve the parameters used in these measures and the methodology adopted; and
 - 10.3.3 set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- 10.4 Review the Group's capability to identify and manage new risk types.
- 10.5 Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available.

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- 10.6 Review reports on any material breaches of risk limits and the adequacy of proposed action.
- 10.7 Keep under review the effectiveness of the Group's internal financial controls and internal controls and risk management systems, and review and approve the statements to be included in the annual report concerning internal controls and risk management.
- 10.8 Provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
- 10.9 Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions.
- 10.10 Oversee the Group's Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") and the Recovery Plan and Resolution Pack ("RPRP"), including the review of any regulator feedback in relation to these, and review submissions to the Prudential Regulation Authority and to the Financial Conduct Authority for prudential and conduct risks, assess the adequacy of stress testing, and ensure associated risk policies are maintained taking into account regulatory developments.
- 10.11 Consider any relevant major findings of the Financial Conduct Authority (FCA) or Prudential Regulation Authority (PRA), and internal/external audit's risk management reviews and management's responses.
- 10.12 Review the effectiveness of culture and reward systems, and advise the Board on the extent to which a suitable risk culture is embedded and maintained.
- 10.13 Recommend to the Board the appointment and/or removal of the Chief Risk Officer.
- 10.14 Review promptly all reports on the Company from the Chief Risk Officer.
- 10.15 Review and monitor management's responsiveness to the findings and recommendations of the Chief Risk Officer.
- 10.16 Ensure the Chief Risk Officer shall be given the right of unfettered direct access to the chairman of the Board and to the Committee.
- 10.17 Review regular reports from the Director of Credit Risk and Director of Legal and Compliance, and keep under review the adequacy and effectiveness of these functions.
- 10.18 Work and liaise as necessary with all other Board committees to ensure that issues of common concern are addressed appropriately.
- 10.19 Oversee the management of the Company's exposure to model risk in relation to the Internal Ratings Based (IRB) approach and IFRS9 Financial Instruments, and the operation, performance and effectiveness of risk models and associated policies.

11. Reporting Responsibilities

- 11.1 The Committee chairperson shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 11.3 The Committee shall produce a report of its activities and the Company's risk management and strategy to be included in the Company's annual report.

12. Other Matters

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 12.2 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;
- 12.3 give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 12.4 Oversee any investigation of activities which are within its terms of reference; and
- 12.5 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.

13. Authority

- 13.1 The Committee is authorised to seek any information it requires from any Employee. All Employees are directed to co-operate with any request made by the Committee.
- 13.2 The Committee will have access to, and will be provided with, all accounting, compliance, internal and external audit reports and records required to enable it to discharge its obligations and duties. It is also free to request any further information it considers necessary.
- 13.3 The Committee is authorised 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.

14. Delegations of Authority

- 14.1 To enable the Committee to carry out its objectives, authority is delegated in accordance with documented terms of reference, to the:
- 14.1.1 Model & Ratings Committee ("MRC").