

## ARROW GLOBAL GROUP PLC

### RISK COMMITTEE TERMS OF REFERENCE

The following are the terms of reference of the Risk Committee of Arrow Global Group PLC (the “**Company**”) and its subsidiaries (together, the “**Group**”).

#### 1. Membership

- 1.1 The Risk Committee shall be appointed by the board of directors of the Company (the “**Board**”) on the recommendation of the Nomination Committee in consultation with the Chairman of the Risk Committee. The Risk Committee shall comprise at least three members.
- 1.2 Unless the Board agrees otherwise, all members of the Risk Committee shall be independent non-executive directors. One of the members shall be the Chairman of the Audit Committee. The chairman of the Board shall not be a member of the Risk Committee.
- 1.3 The Board shall appoint the chairman of the Risk 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.
- 1.4 Appointments to the Risk Committee shall be for a period of up to three years, which may be extended for no more than two additional periods of up to three years, so long as (where applicable) members continue to be independent.
- 1.5 The company secretary (or his or her nominee) shall act as the secretary of the Risk Committee (the “**Secretary**”) and shall ensure that the Risk Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

#### 2. Quorum

- 2.1 The quorum necessary for the transaction of business shall be two members of the Risk Committee.
- 2.2 A duly convened and quorate meeting of the Risk Committee shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Risk Committee.

#### 3. Frequency of meetings

- 3.1 The Risk Committee shall meet at least four times a year. Meetings may be convened by telephone when necessary. Meetings should be held, where possible, alongside Audit Committee meetings, to ensure that the work of the two committees is coordinated and consistent.
- 3.2 Outside the formal meeting programme, the Chairman will maintain a dialogue with key individuals involved in the Company’s governance, including the chairman of the Board, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Risk Officer, the external audit lead partner and the lead internal auditor.

#### 4. Notice of meetings

- 4.1 Meetings of the Risk Committee shall be called by the Secretary at the request of any of its members or at the request of any of the following people if they consider a meeting to be necessary.
- (A) the chairman of the Board;
  - (B) the Group Chief Executive Officer;
  - (C) the Group Chief Financial Officer;
  - (D) the Group Chief Risk Officer;
  - (E) the external audit lead partner; or
  - (F) lead internal auditor.
- 4.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Risk Committee, and to other attendees as appropriate, no later than five working days before the date of the meeting. The Chairman shall have the sole discretion to reduce the above notice period to whatever the Chairman considers appropriate in the circumstances

## **5. Proceedings of the Risk Committee**

- 5.1 Only Risk Committee members have the right to attend Risk Committee meetings. However, the Risk Committee may invite the external auditor, the internal auditor, the Group Chief Financial Officer and Group Chief Risk Officer to attend meetings on a regular basis and other non-members (such as the chairman of the Board, the Group Chief Executive Officer, other directors or management) to attend all or part of any meeting as and when appropriate and necessary.
- 5.2 The Risk Committee may meet separately with any of the executive directors without any other executive directors being present.
- 5.3 The Chairman will be available to the Secretary, the Group Chief Financial Officer and the Group Chief Risk Officer to discuss any matters of concern in relation to internal control concerns or compliance with the Group's legal and regulatory obligations, in the widest sense, should this be considered necessary by those individuals.
- 5.4 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 Risk Committee member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.
- 5.5 Each meeting of the Committee will have a standing agenda item for the review and mitigation of emerging risks.

## **6. Minutes of meetings**

- 6.1 The Secretary shall minute the proceedings and decisions of all Risk Committee meetings and record the names of those present and in attendance.
- 6.2 The members of the Risk Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly.
- 6.3 Draft minutes of Risk Committee meetings shall be circulated to all members of the Risk Committee as soon as practicable after each meeting. Once approved, minutes shall be circulated

to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairman.

## **7. Annual general meeting**

The Chairman shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Risk Committee's activities and responsibilities.

## **8. Authority**

8.1 The Risk Committee is authorised by the Board to undertake any activity within its terms of reference. The Risk Committee is entitled to sufficient resources from the Group to undertake its duties and may at any time ask the Group Chief Risk Officer to carry out such independent reviews as it deems necessary and report back to the Risk Committee.

8.2 In particular, the Risk Committee is authorised to:

- (A) seek any information that it requires from any Group employee or contractor to perform its duties;
- (B) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- (C) call any employee or contractor of the Group to discuss matters at a meeting of the Risk Committee as and when required; and
- (D) publish in the Company's annual report details of any issues that cannot be resolved between the Risk Committee and the Board.

## **9. Responsibilities**

9.1 The Risk Committee:

- (A) advises the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic, financial and regulatory environment;
- (B) oversees and advises the Board on the current risk exposures of the Company and future risk strategy, ensuring the Company's strategy and processes bring about appropriate customer outcomes;
- (C) regularly reviews the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used and reviews the performance of the Group relative to risk appetite;
- (D) regularly reviews and approves the parameters used in measuring risk and the methodology adopted;
- (E) sets a standard for the accurate and timely monitoring of large exposures and breaches;
- (F) reviews the processes and procedures for ensuring that material business risks are properly identified;
- (G) receives regular reports on significant litigation and compliance issues;

- (H) reviews the corporate risk register and considers robustness of mitigating actions;
- (I) reviews regular reports from the money laundering reporting officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (J) reviews regular reports from the compliance department and keeps under review the adequacy and effectiveness of the Company's compliance function
- (K) advises the Remuneration Committee on the annual review of risk appetite for the Company together with risk management assessments carried out from time to time both in the context of the setting of the performance targets for variable remuneration, bonus out-turn and the vesting of LTIP awards and also in the context of the application of malus and clawback provisions in the event of risk failures; and provides advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in the incentive structure of the Company.
- (L) oversees and challenges the due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board.
- (M) ensures the Group Chief Risk Officer has direct access to the Board.
- (N) considers the adequacy and effectiveness of resource involved with Risk Management.
- (O) monitors the training and development requirements of the Group to ensure the requisite skills are in place to control risk and promote an effective risk culture.
- (P) review the Company procedures for ensuring applicable regulatory requirements, including any applicable rules and guidance issued by regulatory bodies, are complied with.
- (Q) monitors under-performing portfolios and reviews root causes.
- (R) Review, identify and monitor emerging and unforeseen risks that have the potential to cause harm or loss to the Company and its continuing operations and to take steps as to understand how these risks have developed and can be managed and mitigated.

## **10. Reporting responsibilities**

- 10.1 The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities and report on any other issues on which the Board has requested the Risk Committee's opinion.
- 10.2 The Risk Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Risk Committee shall produce an annual report on its activities to be included in the Company's annual report. The report should include the Company's risk management framework and strategy and all other information requirements set out in the UK Corporate Governance Code.
- 10.4 The Directors' Report in the annual report and accounts should set out the Company's risk management objectives and policies.

## **11. Other matters**

11.1 The Risk Committee shall:

- (A) 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;
- (B) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules and Disclosure, Guidance and Transparency Rules and any other applicable rules, as appropriate;
- (C) have regard to regulatory requirements including any applicable rules and guidance issued by regulatory bodies;
- (D) oversee any investigation of activities which are within its terms of reference;
- (E) work and liaise as necessary with all other Board committees; and
- (F) 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: and

These terms of reference were reviewed and approved by the Board on 1 February 2019.