



OSB GROUP PLC (the “Company” “Group”)

Group Risk Committee

Terms of Reference

1. OBJECTIVES

- 1.1 The Group Risk Committee (the Committee) is a Committee of the Board. The primary objective of the Committee is to provide oversight, advice and recommendations to the Board on current risk exposures and future risk strategy and, to assist the Board to promote a culture within the Company and its subsidiaries (the Group) that emphasises and demonstrates the benefits of a risk-based approach to internal control and management of the Group. The Committee performs this role by considering whether:
- 1.1.1 The Group has appropriate methods for measuring risk appetite and positions.
 - 1.1.2 The Group’s key risks are identified, monitored and appropriate steps are being taken by management to mitigate them.
 - 1.1.3 Due consideration is given to all significant matters relating to governance, control, regulation and compliance.
 - 1.1.4 The Group’s Enterprise Risk Management Framework (ERMF) is fit for purpose and continuously refined to meet the evolving needs of the Group and the regulatory environment within which it operates.
 - 1.1.5 Adequate capital is maintained for the Group’s key risk exposures, both to ensure regulatory compliance and the achievement of its strategic objectives.
 - 1.1.6 Adequate systems, processes and personnel are in place to manage risk within the Board’s risk appetite and within regulatory limits.
 - 1.1.7 The Group’s current and proposed activities are reviewed against its risk appetite and capital budgets.
 - 1.1.8 Appropriate sub-committees and associated governance structures are established and monitored.
 - 1.1.9 The Group treats customers fairly and openly, delivers good customer outcomes, avoids foreseeable harm and considers risks relating to conduct and culture.
 - 1.1.10 The Committee’s responsibilities in relation to subsidiaries that are required to establish risk committees are set out in section 12.

2. CONSTITUTION, MEMBERSHIP AND QUORUM

- 2.1 The Committee shall comprise at least three members, all of whom must be independent Non-Executive Directors.
- 2.2 The Chair of the Committee shall be a member of the Group Audit Committee. Members of the Committee shall be appointed by the Board on the recommendation of the Group Nomination and Governance Committee in consultation with the Chair of the Committee.
- 2.3 At least one of the Non-Executive Directors on the Committee shall have significant, recent and relevant experience of financial services risk issues.
- 2.4 Only members of the Committee shall have the right to attend the Committee; however, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Group Chief Risk Officer (CRO) and Group Chief Credit and Compliance Officer (GCCO and Charter Court Financial Services Limited CRO) shall have a standing invitation to the Committee, as informed by the Chair of the Committee.
- 2.5 Appointments to the Committee shall be for a period of up to three years, which at the discretion of the

Group Nomination and Governance Committee, may be extended by no more than two additional three-year periods.

- 2.6 In addition to the members of the Committee, other attendees may be invited to the proceedings, and any member of the Committee may ask the Chair to invite specific individuals to attend a meeting.
- 2.7 The Board shall appoint the Chair of the Committee, who shall be an Independent Non-Executive Director. In the absence of the Chair of the Committee, the remaining members present shall elect an independent Non-Executive Director amongst themselves to chair the meeting.
- 2.8 The quorum necessary for the transaction of business shall be two, at least one of whom should be an independent Non-Executive Director. A duly convened meeting of the Committee at which a quorum is present can exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 2.9 Meetings of the Committee may be held by telephone or by any other means whereby the participants are able to communicate effectively with each other.

3. SECRETARY

- 3.1 The Company Secretary or his or her nominee, shall act as 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 the issues.

4. VOTING ARRANGEMENTS

- 4.1 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote on that matter.
- 4.3 Except where the Chair has a personal interest, the Chair of the Committee shall have a casting vote.

5. FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least six (6) times each year at appropriate intervals. Additional meetings may be called as and when required.

6. NOTICE AND MINUTES

- 6.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of a CRO if they consider it necessary.
- 6.2 The Secretary will normally distribute the agenda and papers for meetings at least five days before the date of the meeting.
- 6.3 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.4 Draft minutes of the meeting will be distributed promptly to the Chair of the Committee. Once approved, minutes should be distributed to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chair of the Committee.

7. ANNUAL GENERAL MEETING

- 7.1 The Chair of the Committee should attend the annual general meeting to answer shareholders questions on the Committee's activities.

8. CHIEF RISK OFFICERS

- 8.1 Each CRO's formal reporting line is to the CEO. However, the CROs also have a reporting line to the Chair of the Committee in respect of matters set out in these Terms of Reference.
- 8.2 The CROs will meet regularly with the Chair of the Committee and will have the right and responsibility to escalate issues to the Chair of the Committee or Chair of the Board and to the Committee where they consider it necessary.
- 8.3 The Chair of the Committee shall make recommendations to the Group Nomination and Governance Committee on the appointment and removal of the CROs. The Chair of the Committee will be consulted in respect of each CROs performance appraisal and compensation.

9. REPORTING RESPONSIBILITIES

- 9.1 The Chair of the Committee shall report formally 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.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. The Committee shall also consult with other Group Committees as appropriate.
- 9.3 The Committee shall compile a report on its activities to be included in the Company's annual report, including an articulation of the material issues addressed by the Committee.
 - 9.3.1 details of the membership of the Committee, the number of meetings held and attendance over the course of the year;
 - 9.3.2 a summary of the role and the work of the Committee;
 - 9.3.3 details of how the Committee's performance evaluation has been conducted;
 - 9.3.4 the significant issues that the Committee considered and how these were addressed;
 - 9.3.5 confirmation that the Board has carried out a robust assessment of the emerging and principal risks facing the Company, a description of those risks and the procedures that are in place to identify emerging risks, and an explanation as to how risks are being managed and mitigated;
 - 9.3.6 all other information requirements set out in the UK Corporate Governance Code; and
 - 9.3.7 any other issues on which the Board has requested the Committee's opinion.
- 9.4 In compiling the report referred to in 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to risks that are significant. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

10. OTHER MATTERS

- 10.1 The Committee shall:
 - 10.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
 - 10.1.2 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;
 - 10.1.3 oversee any investigation of activities which are within this Terms of Reference;
 - 10.1.4 work and liaise as necessary with all other Committees of the Board; and

10.1.5 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.

11. AUTHORITY

11.1 The Board has delegated the powers, authorities and discretions set out in this Terms of Reference. The Committee may sub-delegate (unless expressly prohibited by the Board) some of its powers and authorities, including the establishment of sub-committees to analyse particular issues or themes and report back to the Committee.

11.2 The Committee has authority to investigate any matter relating to the Group. It also has authority to:

11.2.1 seek any information it requires from any Director, Officer or employee of the Group in order to perform its duties;

11.2.2 obtain, at the Group's expense, appropriate external professional advice and, if necessary, invite external advisers with relevant experience to attend meetings of the Committee; and

11.2.3 call any employee to be questioned at a meeting of the Committee as and when required.

12. DUTIES, POWERS AND DISCRETION

12.1 Internal Controls and Risk Management

12.1.1 Risk Appetite and Risk Profile:

a. Consider and recommend to the Board for approval, proposals in respect of the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment 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 for the Group's risk policies.

b. Evaluate and report to the Board on the Group's risk profile, risk monitoring and risk tolerance for the principal risks as contained in the Group's ERMF.

c. Advise the Board on the Group's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Group is willing to take in order to achieve its long-term strategic objectives.

d. Evaluate and report to the Board on the Group's overall risk assessment, in particular, with respect to processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used.

e. Evaluate and make recommendations to the Board and raise any additional issues as it sees appropriate. The Committee's role remains one of monitoring and review..

f. Review regularly and approve the parameters used in these measures and the methodologies adopted.

g. Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.

h. Review the Group's capability to identify and manage new risk types.

i. Review the Group's procedures for detecting fraud and for the prevention of bribery. Receive notifications on any material breaches of risk limits and the adequacy of proposed action.

GRC

GRC
Chair

j. Consider and approve the remit of the Risk 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.

GRC

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Chair

k. Review and consider all reports on the Group from the CROs and evaluate Management's responsiveness to the findings and recommendations of the CROs.

GRC

GRC
Chair

l. Consider and recommend to the Board for approval the sufficiency of capabilities, arrangements and resources available to remove the barriers to orderly resolution and restructuring in relation to the Operational Continuity in Resolution (OCIR) and the Resolvability Assessment Framework.

GRC

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Chair

m. Ensure that the CROs have the right of unfettered direct access to the Chair of the Committee and Chairman of the Board.

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Chair

n. Consider any other matters requested by the Board from time to time.

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GRC
Chair

12.1.2 Regulatory:

a. Consider and recommend to the Board for approval the Internal Capital Adequacy Assessment Process (ICAAP) by which the Group's existing and forecast risk positions and the resulting capital absorption are calculated and monitored.

b. Consider and recommend to the Board for approval, changes to capital utilisation, including utilisation of any spare capital available to the Group, or raising of additional capital as required.

c. Monitor and report to the Board on the Group's actual and forecast liquidity position on an ongoing basis.

d. Consider and recommend to the Board for approval, macroeconomic scenarios for use in annual ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) stress testing and relevant documentation.

e. Monitor on an ongoing basis, the Group's actual and forecast risk and regulatory capital positions.

f. Review and monitor the ILAAP by which the Group's existing and forecast liquidity risk position and liquid assets are calculated and monitored.

g. Oversees the performance and regulatory compliance of the Group's Internal Ratings-based rating systems.

h. Consider and monitor the risks arising from Climate Change.

12.2 Transactions

Board

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Chair

12.2.1 Strategic transactions:

a. Prior to a decision to proceed being taken by the Board on any strategic transaction including acquisitions or disposals, take such steps as are appropriate to satisfy itself that a due diligence appraisal of the proposition has been undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Group; and taking independent external advice where appropriate and available.

- b. Review, where appropriate and available, the key conclusions of any due diligence process including the impact of the strategic transaction on the Group's risk profile and overall risk appetite, reporting its conclusion to the Board.



  12.2.2 Portfolio acquisitions:

- a. Acquire or dispose a portfolio with a maximum drawn balance and capital consumption in line with the limits set out in the Authorities Mandate. The Committee shall escalate a transaction to the Board if it is unusual or is deemed to carry reputational or operational risks that the Board should be advised on.



  12.2.3 Secured funding lines:


- a. Provide a secured funding line with a maximum drawn balance and capital consumption when fully drawn in line with the limits set out in the Authorities Mandate. The Committee shall escalate a transaction to the Board if it is unusual or is deemed to carry reputational or operational risks that the Board should be advised on.


12.3 Remuneration

-   12.3.1 Review annual performance against financial and operational risk metrics and provide input to the Board and/or Group Remuneration and People Committee to assist in its deliberations on appropriate quantitative and qualitative risk metrics and risk adjustments to be made to remuneration within risk appetite.







12.4 Risk Committees of relevant subsidiaries

-   12.4.1 To review the composition, powers and responsibilities of subsidiary committees with responsibility for oversight of risk within the Group.

-  12.4.2 To review core terms of reference for adoption by subsidiary risk committees and approve material deviations.

-  12.4.3 To liaise as necessary with the Group's subsidiaries with risk committees (setting clear expectations). In exercising its responsibilities, the Committee will have the right to request but not direct subsidiary risk committees to take action or provide information and documentation from time to time such as it shall determine. This may include the following: (i) receiving copies of the minutes from each subsidiary risk committee; (ii) receiving an update on the emerging risks of a subsidiary company; (iii) encouraging information sharing and best practice to be adopted; and (iv) encouraging interaction with the Committee and between the Chairs of subsidiary risk committees.

Document key

<i>Symbol</i>	<i>Approving entity</i>	<i>Symbol</i>	<i>Accountable entity</i>
	Board (upon recommendation from the Group Risk Committee)		Chair of the Group Risk Committee
	Group Risk Committee		Chair of the Board
	Group Remuneration and People Committee (upon recommendation from Group Risk Committee)		Chair of the Group Remuneration and People Committee

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