

# Board Risk Committee Terms of Reference

8 December 2020

## QUILTER PLC (“Quilter” or “the Company”)

Version approved by the Quilter Board (the “**Board**”) on 8 December 2020.

### 1 Role

The role of the Board Risk Committee (the “**Committee**”) is principally to review management’s recommendations on strategic, financial, operational, conduct and other areas of risk, as set out in the Enterprise Risk Management Framework (ERMF) in particular:

- Consider and recommend to the Board Quilter’s risk strategy and risk appetite;
- Review, on behalf of the Board, the management of Quilter’s principal risks;
- Review Quilter’s risk profile in respect of these principal risks;
- Consider Quilter’s emerging risks and impact to the Company’s long-term strategic objectives;
- Commission, receive and consider reports on key financial, operational and other risk issues;
- The Committee has a joint responsibility with the Board Audit Committee for the oversight of the effectiveness of the internal control framework across Quilter;
- The Board Technology and Operations Committee has oversight of operational matters more broadly, with this Committee having responsibility for oversight of Operational Risk; and
- The Committee may also consider any other matters of relevance to its purpose.

### 2 Authority

- 2.1 The Committee is a Board committee of Quilter from which it derives its authority and to which it regularly reports.
- 2.2 The Committee has delegated authority of the Board in respect of the functions and powers in these Terms of Reference. The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 2.3 The scope of the Committee extends across all businesses owned controlled and governed by Quilter, including joint ventures, in all jurisdictions. It also has authority to obtain any information as it may require from any Director, officer, or employee of the Quilter Group.
- 2.4 The Committee may request a summary of material issues considered at any risk committees of the Business Oversight Boards (as defined in the Group Governance Manual) for the main subsidiaries of Quilter.



## 3 Constitution and meetings of the Committee

### 3.1 Membership

Comprises at least three independent Non-executive Directors of Quilter appointed by the Board. Members of the Committee shall be appointed by the Board, on the recommendation of the Board Corporate Governance and Nominations Committee, in consultation with the Committee Chair. The Chair of the Board shall not be appointed to the Committee. The Committee must include members who have experience with regard to risk management issues and practices.

### 3.2 Duration of Appointments

Shall be for a period of up to three years which may be extended by a further two additional periods of up to three years each, subject to the Directors still meeting the criteria for membership of the Committee and their continuing status as an independent Non-executive Director.

### 3.3 Chair

Shall be appointed by the Board on the recommendation of the Board Corporate Governance and Nominations Committee. The Committee Chair does not have a casting vote.

### 3.4 Secretary

The Quilter Company Secretary or his or her nominee shall act as Secretary to the Committee.

### 3.5 Meetings

Meetings will be held a minimum of four times per year and at any other time as the Committee's role and responsibilities require. Meetings will be convened by the Company Secretary at the request of Committee members, the Chair of the Company, the Group Chief Executive or the Group Chief Risk Officer.

### 3.6 Notice of Meetings

Unless otherwise agreed by the Chair of the Committee, 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 and any other person required to attend no later than four working days before the date of the meeting.

### 3.7 Quorum

The quorum for meetings shall be two members one of whom should normally be the Chair of the Committee. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

### 3.8 Minutes

The Company Secretary or his or her nominee shall minute the proceedings of all Committee meetings.



### 3.9 Attendees

Only the members of the Committee have the right to attend Committee meetings. However, the following will be expected to attend Committee meetings on a regular basis:

- Group Chief Risk Officer;
- Group Chief Financial Officer; and
- Group Chief Internal Auditor.

There is an open invitation for any Non-executive Directors to attend any Committee meeting with the agreement of the Chair of the Committee. By invitation of the Committee, any officer or employee of the Committee, any officer or employee of the Group or other person may also be invited to attend for a particular meeting or a particular agenda item.

If any member is unable to act for any reason, the Chair of the Committee may appoint another independent Non-executive Director of Quilter agreed by the other members of the Committee to act as that member's alternative.

## 4 **Responsibilities of the Committee**

The Committee will undertake the following tasks/functions for Quilter and where appropriate for its subsidiary companies.

### 4.1 Risk Appetite, Scenario Analysis, Stress Testing and Risk Profile

- a) Oversee and recommend to the Quilter Board for approval proposals on risk strategy, risk appetite and risk tolerance, taking account of the current and prospective macroeconomic and financial environment drawing on financial stability assessments such as those published by the Prudential Regulatory Authority, the Financial Conduct Authority and other authoritative sources that may be relevant to Quilter's risk policies.
- b) Oversee the alignment of risk appetite to risk strategy and planned activity, including approving risk strategy action plans to be implemented to bring risk exposure within appetite.
- c) Oversee and recommend to the Board key actions arising from scenario analysis and stress-testing results.
- d) Review the effectiveness of the arrangements made for incident management including disaster recovery and business continuity plans, noting that the Board Technology and Operations Committee has responsibility for oversight of Operational Resilience.
- e) Evaluate and report to the Board on the Group's risk profile, risk monitoring and risk tolerance for the principal risks.
- f) Oversee and challenge the risk profile in terms of significant exposures, risk trends, risk concentrations and performance versus appetite.



## 4.2 Capital and Funding Allocation

- a) Oversee the allocation of capital and funding across the Quilter Group and within its businesses to ensure capital allocations meet regulatory requirements and are consistent with risk appetite limits and that capital allocations are reviewed as risk exposures change in line with business performance and/or market conditions.
- b) Receive and consider reports from management on liquidity performance against internal and regulatory requirements.

## 4.3 Oversight of Risk

- a) Oversee and evaluate the appropriateness of the Group's risk measurement systems, including oversight over the processes to manage and monitor the management of actuarial risk (where this manifests) across the Group.
- b) Review the capability of Quilter to identify and manage new and emerging risk.
- c) Oversee and report to the Board on risks, issues and losses that have significant impact to the Group, including management's assessment of the likelihood of risks materialising and the sufficiency of the decision-making and system of internal controls to manage those risks.
- d) Examine the manner in which management ensures and monitors the adequacy of the nature, intent and effectiveness of the risk and control infrastructure of the businesses operating within the Group.
- e) Oversee the management of material losses and the resulting actions to satisfy itself that these are appropriately implemented and/or rectified.
- f) Oversee Third Party Risk Management activities, working with the Board Technology and Operations Committee where the suppliers are primarily providing technology services.
- g) Oversee the management of risks associated with ESG risk, noting that the Board Corporate Governance and Nominations Committee is responsible for oversight for the Group's Responsible Business framework.
- h) The Committee is not responsible for the day-to-day management of risk.

## 4.4 Regulatory

- a) Consider and approve on behalf of the Board the Group's capital adequacy assessments and the methodologies and results of the stress and scenario testing for these assessments, considering in particular any regulatory feedback.
- b) Assess risk management matters raised by the Group's regulators and actions being taken by management to respond.



## 4.5 Risk Management Framework, internal controls and governance

- a) Oversee and approve Quilter's Enterprise Risk Management Framework satisfying itself that it is appropriate for Quilter's activities.
- b) Consider and approve the Risk Plan.
- c) Assess the resourcing of the risk teams ensuring that the risk function is adequately resourced and has appropriate standing within the organisation.
- d) Oversee regular assurance reports from the compliance monitoring team, internal audit, and external audit and on the operational effectiveness of matters related to risk and control and the conclusions of any testing carried out on them.
- e) In relation to risk assessment:
  - Keep under review Quilter's risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
  - Review regularly and approve the parameters used in these measures and the methodology adopted; and
  - Set a standard for the accurate and timely monitoring of larger exposures and certain risk types of critical importance.
- f) Consider and approve the Quilter plc Group Governance Manual on behalf of the Board.
- g) Consider and where necessary update and approve, on behalf of the Board, any financial, operational or other risk policy statements required by law or regulation.
- h) Receive reports relating to management's assessment of the effectiveness of the Company's systems of internal controls, and satisfy itself whether any matters should be escalated to the Board Audit Committee and the Board as appropriate.
- i) Support the Board and management in embedding and maintaining a culture of risk awareness across the Quilter Group.
- j) Oversee the policies and overall process for identifying and assessing risks and managing their impact on the Group including updates on the Policy suite and compliance with these policies.
- k) Oversee the effectiveness of the Group's risk governance framework and make recommendations to the Board as required.



#### 4.6 Compliance

- a) Receive and review reports from the Compliance Function on the effectiveness of compliance activities in the Group and the effectiveness of the compliance framework. This may include financial crime updates where relevant to the remit of the Committee.
- b) Receive and review regular reports from the Money Laundering Reporting Officer and on the adequacy and effectiveness of the Company's anti-money laundering systems and controls.
- c) Review the effectiveness of the Conduct Risk Framework by receiving and reviewing reports from the Compliance Function on conduct risk.
- d) Receive and review regular reports from the Data Protection Officer on the adequacy and effectiveness of the Company's Data Protection systems and controls.
- e) Consider co-ordination between the Committee and the Quilter Board Audit Committee on compliance functions.
- f) Receive updates on material prospective changes in the regulatory environment.

#### 4.7 Strategy and Business Plan

- a) Oversee and advise the Board on risk profile associated with Quilter's strategy and any strategic proposals.
- b) Oversee and ensure that business plans, the risk appetite limits, regulatory capital allocations and the Risk Strategy are consistent.

#### 4.8 Strategic Transaction Risk

Oversee and advise the Board on proposed strategic transactions including acquisitions or disposals; and ensure that a due diligence appraisal of the proposition is undertaken, including a focus on risk aspects such as capital, liquidity and regulatory risk and implications for Quilter's risk profile and risk exposure, including reputational risk, and any concerns with regards to the transaction.

#### 4.9 Remuneration

- a) Oversee and recommend to the Quilter Board Remuneration Committee targets for the Risk Adjusted Performance Measures to be used, and comment on their achievement.
- b) Advise the Quilter Board Remuneration Committee on the relationship between performance objectives and remuneration decisions and the risk profile.

#### 4.10 Risk Reporting

Consider and where necessary approve or endorse, on behalf of the Board, any financial, operational or other risk policy statements required by law or regulation.



#### 4.11 Other Responsibilities

- a) Recommend to the Board the appointment, succession planning and termination of appointment of the Group Chief Risk Officer; conduct an exit interview on termination.
- b) Review promptly all reports on the Company from the Chief Risk Officer.
- c) Review and monitor management's responsiveness to the findings and recommendations of the Chief Risk Officer.
- d) Ensure the Chief Risk Officer shall be given the right of unfettered direct access to the Chair of the Board and to the Committee.

#### 4.12 Chief Risk Officer and Risk Function

- a) The Chief Risk Officer's formal reporting line is to the Group Chief Executive. However, the Chief Risk Officer also has a reporting line to the Committee through the Committee Chair in respect of matters set out in these Terms of Reference.
- b) The Chief Risk Officer will meet regularly with the Chair of the Committee and will have the right and responsibility to elevate issues to the Chair of the Committee where he or she considers it necessary in the furtherance of his or her responsibilities.
- c) The Committee will satisfy itself that the Risk Function is adequately resourced, has appropriate access to information, has adequate independence and is free from constraint by management or other restrictions so as to be able to perform its function effectively and in accordance with the relevant professional standards.

#### 4.13 Committee Effectiveness

- **General** - Conduct an annual self-assessment of the Committee's effectiveness, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any necessary changes to the Board. Consider whether or not the Committee receives adequate and appropriate support in fulfilment of its role and whether or not its current workload is manageable.
- **Training** - Via the Company Secretary make available to new Committee members a suitable induction process and provide training and awareness to members of the Committee on an ongoing and timely basis.





## 5 Reporting Responsibilities

### a) Reporting to the Board

- **General** – Report to the Board on how it has discharged its responsibilities and on any other matters referred to it by the Board. In doing so, identify any matters in respect of which it considers that action or improvement is needed, and make any recommendation it deems appropriate as to the steps to be taken.
- **Meetings** – Following each meeting of the Committee, report formally (through the Chair of the Committee (or the chair of that meeting)) to the Board on its proceedings.
- **Coordination with other committees** – Work and liaise as necessary with all other committees of the Board. Without limitation, the Committee should contribute to the information provided to the Board Remuneration Committee in setting incentive compensation and reviewing those deemed to be material risk takers for the Group. Where there is a perceived overlap of responsibilities between the Committee, and any other Quilter plc Board Committee, the respective Committee Chairs shall have discretion to agree the most appropriate Committee to fulfil any obligation. An obligation under the Terms of Reference of the Committee, the Board Audit Committee, or the Board Corporate Governance and Nominations Committee, or the Board Technology and Operations Committee will be deemed by the Board to have been fulfilled provided it is dealt with by any of the aforementioned committees.
- **Coordination with Business Oversight Boards and Committees** - Work with other Group Boards and Governance, Audit and Risk Committees to ensure that matters material to the Quilter Group are given appropriate oversight and that there is clarity around roles and responsibilities of governance fora within the Quilter Group.

### b) Engagement with Shareholders

- **General** – The Committee should identify any shareholder views on risk issues and respond to any shareholder concerns. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.
- **Annual General Meeting** – The Chair of the Committee, or a deputy chosen from the membership, should be present at the Annual General Meeting of the Company to answer questions, through the Chair of the Quilter Group, on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.
- **Annual Report** – The Committee will compile a report of the work of the Committee in discharging its responsibilities, the risk management objectives and its policies for inclusion in the Annual Report, including the issues dealt with by the Committee. The Committee has the right to publish in the Company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board. The Committee will also review and approve any statements to be included in the Annual Report concerning internal controls and risk management.



## 6) Escalations to the Committee

The Committee will receive reports from standing and ad hoc Business Oversight Boards or Committees on the material matters relevant to Quilter as a whole.

## 7) Governance and Resources

The Committee shall:

- a) In its decision making, give due regard to the provisions of the 2018 UK Corporate Governance Code, the requirements of the Financial Conduct Authority's Listing, Prospectus and Transparency Rules, the guidance in the Financial Conduct Authority's Disclosure Guidance and any other relevant legal or regulatory requirements, as appropriate and associated best practice guidance, as well as to the risk and risk management implications of its decisions.
- b) Act in the way that they believe will promote the success of Quilter for the benefit of its shareholders while also giving consideration to the following matters under the Companies Act 2006:
  - The consequences of any decision in the long term;
  - The interests of Quilter's employees;
  - The need to foster good relationships with suppliers and others;
  - The need to foster good relations with customers and to be mindful of outcomes for our customers;
  - The impact of Quilter's operations on the community and the environment;
  - The desirability of Quilter maintaining a reputation for high standards of business conduct; and
  - The need to act fairly between all of Quilter's shareholders.
- c) 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.

## 8) Committee Support

The Committee will have access to sufficient resources in order to carry out its duties, including access to the Company Secretary, who shall have independent access to the Chair of the Committee and to the services of Corporate Secretariat on Committee matters. The Committee will have the power to engage independent counsel and other professional advisers at the expense of the Group and to invite them to attend meetings.

## 9) Terms of Reference

The Committee shall periodically, review its performance and its Terms of Reference and may recommend to the Board any appropriate amendments to these Terms of Reference.

