

Terms of reference

Risk committee

Nucleus Financial Group plc

Adopted by resolution of the directors passed on 21 November 2019

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Risk committee - Terms of Reference

1. Introduction

These terms of reference were adopted by a resolution of the board of directors of Nucleus Financial Group plc (the "**company**") passed on 21 November 2019. The principal purposes of these terms of reference are:

- 1.1 to give additional assurance regarding the board's approach to the risk management framework of the Nucleus group;
- 1.2 to maximise the efficiency and effectiveness of the company's three lines of defence;
- 1.3 to assist the board in fulfilling its oversight responsibilities for the Nucleus group, specifically in relation to monitoring the effectiveness of the business risk management processes in the group.

2. Membership

- 2.1 The risk committee (the "**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 risk committee chair. The Committee shall be made up of at least three directors, one of whom shall be the chair of the audit committee.
- 2.2 The majority of members of the Committee shall be independent non-executive directors. The chair of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as chair.
- 2.3 It is desirable that one or more members have an understanding of the Group's management information systems.
- 2.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, provided the director still meets the criteria for membership of the Committee.
- 2.5 The chair of the Committee shall be appointed by the Board and shall be an independent non-executive director. In the absence of the chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. For the avoidance of doubt, the chair of the Committee shall not have a second or casting vote.
- 2.6 The company secretary or his/her nominee shall be 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.
- 2.7 The persons listed in schedule 1 are the appointed chair, members and secretary of the Committee and their responsibilities are provided for a schedule 2.

3. Attendance at meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings. The persons listed in schedule 1 will be invited to attend meetings of the Committee on a regular basis.
- 3.2 All board members have the right to attend Committee meetings as observers.
- 3.3 The quorum necessary for the transaction of business at a meeting of the committee shall be two members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

4. Frequency and format of meetings

- 4.1 The Committee shall meet as often as circumstances dictate, but at least four times a year.
- 4.2 The Committee has the prerogative to, and should, meet with management on a regular basis at separate sessions.
- 4.3 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the company's governance and risk management framework, including the chair of the Board, the chief executive, the chief financial officer, the heads of risk and compliance and the company secretary.
- 4.4 A timetable of business is established once per year and can be found at schedule 3.

5. Notice of meetings

- 5.1 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 head of risk, if they consider it necessary.

- 5.2 Unless otherwise agreed, notice of each meeting of the Committee confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, 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.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, minutes may, on request by the board, be tabled at subsequent Board meetings.

7. Authority

The Committee is authorised by the Board to:

- 7.1 investigate any matter within its terms of reference and to seek any information it requires from any employee of the company in order to perform its duties. All employees are directed to co-operate (if required, on a confidential basis) with any request made by the Committee;
- 7.2 within the limit of the budget set by the Board, obtain outside legal, accounting or other independent professional advice at the cost of the company and to secure the attendance of outsiders with relevant experience and expertise on any matters within its terms of reference if it considers this necessary. The secretary to the Committee shall maintain a register of independent advisers who provide services to the Committee.
- 7.3 call any employee to be questioned at a meeting of the Committee as and when required; and
- 7.4 have the right to publish in the company's annual report details of any issues that cannot be resolved between the Committee and the Board.

8. Duties

- 8.1 The specific duties of the Committee shall be those set out in paragraph 8.2 and shall be carried out for the Company, its subsidiary undertakings and the group as a whole, as appropriate and references in those paragraphs to the Company shall be deemed to include its subsidiary undertakings and the group as a whole, as appropriate.
- 8.2 In furtherance of the successful implementation of Company strategy and effective risk management for the long term. The Committee shall:

Overall risk strategy, monitoring and assessment

- 8.2.1 Review and recommend to the Board for approval, the risk management framework for the Company including risk appetites, tolerances and KPIs.
- 8.2.2 Review and advise the Board on the Company's current and future overall risk exposure, appetite, tolerance and strategy and assist the board in overseeing the implementation of that strategy within its approved risk management framework;
- 8.2.3 in relation to risk monitoring and assessment:
- (i) keep under review the Company's overall risk assessment processes and methodology that inform the Board's decision making, ensuring that both qualitative and quantitative metrics are used;
 - (ii) review regularly the Company's capability to identify, monitor and manage new and emerging risks with reference to the corporate risk matrix, risk watch list and accepted risk register;
 - (iii) review any reports on any material breaches of risk appetite limits and the adequacy of any proposed remedial action;
 - (iv) keep under review the effectiveness of the Company's risk management systems and review and approve statements to be included in the annual report concerning risk management; and
 - (v) review any reports from the internal or external auditors on the Company's risk management framework.
- 8.2.4 In respect of the ICAAP activities of the Company, review and recommend to the Board:

- (i) the annual ICAAP programme and calendar and associated inputs;
- (ii) the quarterly reassessment of regulatory capital requirements;
- (iii) the annual ICAAP programme approach and methodology; and
- (iv) the annual ICAAP report programme regulatory capital requirements

Risk and remuneration

- 8.2.5 As and when required or requested, in order to assist in the establishment of sound remuneration policies and practices, 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;
- 8.2.6 As and when required or requested, provide qualitative and quantitative advice to the remuneration committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.

Risk and compliance functions

- 8.2.7 consider and approve the remit of the Company's risk and compliance management functions and ensure that they have:
- (i) adequate independence (and are free from management and other restrictions); and
 - (ii) adequate resources and appropriate access to information to enable them to perform their function effectively;
- 8.2.8 review promptly all reports on the Company from the heads of risk and compliance;
- 8.2.9 review and monitor management's responsiveness to the findings and recommendations of each of the heads of risk and compliance; and
- 8.2.10 ensure that the heads of risk and compliance each have a right of unfettered direct access to the chair of the Board and to the chair of the Committee.

Group policies

- 8.2.10 Review and approve corporate policies in accordance with the Group policy framework.

9. Reporting procedures

- 9.1 The chair of the Committee shall report formally to the Board on proceedings of the Committee after each meeting and on all matters within its duties and responsibilities and it 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 in any area within its remit where action or improvement is needed.
- 9.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report including a risk committee report explaining the major tasks undertaken and setting out the Company's risk management strategy and any key policies operated in connection with that strategy.
- 9.4 The chair of the Committee shall attend the AGM and shall answer questions, through the chair of the Board, on the Committee's activities and its responsibilities.

10. Other matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2 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. Committee members are encouraged to enhance their familiarity with risk management and information systems by participating in educational programmes arranged by the Company;
- 10.3 give due consideration to laws and regulations, the provisions of the UK Listing Authority's Prospectus Rules, the Disclosure Guidance and Transparency Rules and associated guidance, the AIM Rules and associated guidance and the Quoted Companies Alliance corporate governance guidance, FCA Handbook Rules and, as appropriate, the UK Corporate Governance Code and any other applicable rules, as appropriate;
- 10.4 oversee any investigation of activities which are within its terms of reference (subject to the overriding authority of the board) and act for internal purposes as a court of last resort;
- 10.5 work and liaise as necessary with all other board committees; and

- 10.6 periodically review its own performance, 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.