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**Peel Hunt Limited (the "Company")**

## **RISK COMMITTEE TERMS OF REFERENCE**

*Approved and adopted by the Board of the Company at a Board Meeting held on 28 September 2021*

## 1. CONSTITUTION

1.1 The board of directors of the Company (the "Board") has established a committee of the Board known as the Risk Committee (the "Committee"). The meetings and proceedings of the Committee are governed by these Terms of Reference.

## 2. MEMBERSHIP

2.1 The Committee shall comprise at least two members, with the usual number being three. All members of the Committee shall be non-executive directors and a majority shall be independent. The Committee shall include at least one member of the Audit Committee.

2.2 Members of the Committee shall be appointed by the Board on the recommendation of the nomination committee and in consultation with the chair of the Committee (the "Committee Chair"). Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods.

2.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial and Operating Officer and the Chief Risk Officer shall be expected to attend meetings of the Committee on a regular basis and other individuals, may be invited to attend all or part of any meeting as and when appropriate.

2.4 The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

## 3. SECRETARY

The Company secretary, or his or 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.

## 4. QUORUM

4.1 The quorum necessary for the transaction of business shall be two members.

4.2 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.

4.3 The Committee may hold meetings in person, by telephone or using any other method of electronic communication whereby the participants are able to communicate effectively with each other, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the Committee Chair.

## 5. FREQUENCY OF MEETINGS

5.1 The Committee shall meet at least four times a year at appropriate times and otherwise as required.

5.2 Outside of formal Committee meetings, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance including the Board Chair, the Chief Executive Officer, the Chief Financial & Operating Officer, the Chief Risk Officer, the Chief of Internal Audit and the Head of Compliance and Money Laundering Officer.

## 6. NOTICE OF MEETINGS

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair or any of its members, or at the request of the Chief Risk Officer, if they consider it necessary.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, 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 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.

6.3 Shorter notice and/or late submission or circulation of supporting papers will be permitted at the discretion of the Committee Chair.

6.4 Notices and supporting papers may be circulated electronically (if the recipient has agreed to receive them in this way) or in hard copy as circumstances permit.

## 7. MINUTES OF MEETINGS

7.1 The Company secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

7.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless, exceptionally, it would be inappropriate to do so.

## 8. ENGAGEMENT WITH SHAREHOLDERS

The Committee Chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities. .

## 9. DUTIES

The Committee should have oversight of the Group as a whole and, unless required otherwise by law or regulation, carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

### 9.1 Risk appetite and tolerance

(a) The Committee will implement and oversee the Group's risk appetite, as set out by the Board in its formal risk appetite statement. It will also oversee the Group's current and potential risk exposure and future risk strategy. In doing so, it should take into account the current and prospective macroeconomic and financial environment, drawing on financial stability assessments such as those published by relevant industry and regulatory authorities.

(b) The Committee will review and, where appropriate, seek assurances on the risks identified and to which the business may be exposed and advise the Board on the likelihood and impact of any risk materialising, and on the management and mitigation of such risks in order to reduce the likelihood of their incidence or their impact.

(c) The Committee will advise the Board on the risk aspects of proposed changes to strategy and any strategic transactions, including acquisitions or disposals. The Committee will consider and, where appropriate, ensure that a due diligence appraisal is undertaken, focussing in particular on implications of

the proposal on risk appetite, tolerance and exposure of the Company and taking independent external advice where appropriate.

(d) The Committee will review and recommend appropriate types of stress and scenario testing that should be undertaken for all material types of risk.

## 9.2 Risk management framework

(a) In relation to the process of risk assessment, and liaising as necessary with the Audit Committee, the Committee will review and recommend the Risk Management Framework, ensuring its ongoing integrity and suitability to support the Board's strategic objectives in light of changing internal and external circumstances. In doing so, the Committee will:

- i. review the Company's overall risk identification, assessment, management, accountability, responsibility and mitigation processes, systems and structures that inform the Board's decision-making;
- ii. oversee, monitor and challenge where appropriate the Company's Enterprise Wide Risk Management Framework;
- iii. review the Group's capital and liquidity adequacy assessments and key risk management policies (receiving reports from the Risk Committee of the Peel Hunt Partnership Group Limited as appropriate);
- iv. 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 and regularly review and approve the parameters used in these metrics and the methodology adopted;

regularly review and approve a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

- v. review the Company's ability to identify and manage new and emerging risk types;
- vi. consider and approve the remit of the risk management and compliance function and ensure that it has adequate resources and appropriate access to information to enable it to perform effectively and in accordance with relevant professional standards;
- vii. at least annually review and report to the Board on the effectiveness of the Group's internal risk management systems and processes;
- viii. approve the risk and compliance function's annual work programme and review regular reports to monitor and review the effectiveness of its work.
- ix. review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls;
- x. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

(b) In discharging its duties, the Committee will keep abreast of any future developments in the regulatory environment.

## 9.3 Risk management information

(a) The Committee shall review and challenge the risk information it receives from the Risk Management Forum and advise the Board accordingly. The Committee will use such information in order to identify, evaluate and oversee the principal risks and uncertainties relating to the Company. In doing so, the Committee will receive and review:

- i. reports on the effectiveness of the systems of risk management and/or the Group's attitude and tolerance of risk;
- ii. annual reports on the risk register of key risks to which the Group is exposed;

- iii. timely notifications of material breaches of risk limits and internal control processes and the remedial action taken or proposed;
- iv. regular updates on the work of the Risk Management Forum and risk and compliance function and consider the adequacy of responses to any compliance failures and weaknesses;
- v. reports by the Risk Management Forum on any exceptions from the first line of defence; and
- vi. the findings of any examinations by regulatory agencies or bodies and consider responses where required.

(b) The Committee will also review and monitor significant exposures and risk types recorded in the Company's risk register, consider management's self-assessment of the controls in place, and the actions being undertaken by management to mitigate those risks.

#### **9.4 Risk management culture**

The Committee will oversee and advise the Board on the embedding and maintenance throughout the Group of a positive and proactive risk management culture. In doing so, the Committee will identify matters that adversely affect or promote good culture and conduct. In doing so, the Committee will review the appropriateness of the Company's reward systems and their impact on the management of risk and internal controls, liaising with the Remuneration Committee as appropriate.

#### **9.5 Other duties**

In addition to the duties of the Committee detailed above, the Committee will:

(a) recommend the prosecution, defence or settlement of litigation or alternative dispute resolution which are material to the interests of the Company;

(b) provide the Audit Committee with:

- i. recommendations as to any changes or improvements which might be made to the Company's internal controls and/or other matters within its terms of reference including the Company's whistleblowing policy;
  - ii. recommendations for additions to the internal audit plan; and
  - iii. advice on all notes to the accounts quantifying risk exposures as well as reviewing and recommending statements that are to be included in the annual report, half year report, prospectuses and circulars, and on the Company's website concerning risk and risk management;
- (c) provide input and recommendations regarding the appointment and removal of the Chief Risk Officer and any other senior risk appointments within the Company to the Board; and review and report to the Board on the performance of the Chief Risk Officer and other senior risk staff;

(d) review and if appropriate approve Company insurance coverage including the extent of any Directors' and Officers' insurance coverage;

(e) ensure regular meetings with key stakeholders from all three lines of defence; and

(f) work and liaise as necessary with all other Board committees.

### **10. REPORTING RESPONSIBILITIES**

10.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Committee shall compile a report of its activities to be included in the Company's annual report. The report should describe the work of the Committee including:

- (a) the significant issues that the Committee considered in relation to the financial statements and risks and how these issues were addressed;
- (b) the steps the Committee has taken to satisfy itself that the risk and control framework and processes are operating effectively; and
- (c) all other information requirements set out in the QCA Code (as defined below)

## 11. OTHER MATTERS

11.1 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for advice and assistance as required;
- (b) 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;
- (c) give due consideration to relevant laws and regulations including the Companies (Guernsey) Law 2008, the provisions of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), the London Stock Exchange AIM Rules for Companies, the Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation and any other applicable rules and guidance as appropriate;
- (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 a periodic evaluation of the Committee's performance to be carried out, 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.

## 12. AUTHORITY

12.1 The Committee is authorised to:

- (a) seek any information it requires from any employee of the Company or Group and from any sub-contractor, consultant or other provider of services in order 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 to be questioned at a meeting of the Committee as and when required;
- (d) delegate any matter or matters to another committee or person(s) as it deems appropriate; and
- (e) perform any other functions as requested by the Board.