

## **UNITY TRUST BANK PLC**

### **BOARD RISK COMMITTEE**

#### **Terms of Reference**

#### **1. Constitution**

The Unity Trust Bank plc (the “Bank”) Board of Directors (the “Board”) established, by resolution on 5 April 2019, a Board Risk Committee (the “Committee”). The Terms of Reference for the Committee are set out below and were last revised and approved by the Board on 24 November 2023.

#### **2. Purpose**

The Committee is accountable to the Board and assists the Board with oversight of enterprise risk governance and management as well as supporting a culture that emphasises and demonstrates the benefits of a proportionate approach to risk management and internal controls. The Committee also reviews and, if appropriate, approves high value and high risk credit applications.

#### **3. Authority**

- 3.1 The Committee is a committee of the Board of the Bank, from which it derives its authority and to which it reports.
- 3.2 The Committee has delegated authority from the Board in respect of the functions and powers in these Terms of Reference.
- 3.3 The Committee is authorised by the Board to investigate any activity within its terms of reference and seek information that it requires from any employees of the Bank, all of whom are directed to co-operate with any request made by the Committee.
- 3.4 The Committee is authorised to engage any firm of professionals to provide independent advice within any budgetary restraints imposed by the Board.

#### **4. Membership**

- 4.1 The Committee shall be appointed by the Board and shall normally consist of no less than three Non-Executive Directors, at least one of whom shall be a Director determined by the Board to be independent.
- 4.2 Where possible, one member of the Committee shall be a member of the Remuneration Committee.
- 4.3 The Chair of the Committee shall be appointed by the Board on consultation with the Nomination Committee. In the absence of the Committee Chair and any Deputy

appointed by the Board, the remaining members present shall elect one of themselves to chair the meeting.

## **5. Quorum**

A quorum shall be two members, at least one of whom must be a director determined by the Board to be independent.

## **6. Attendance at Meetings**

6.1 No one other than the Committee Chair and its members shall attend meetings of the Committee, unless at the invitation of the Chair. All directors are invited to attend.

6.2 Members should endeavour to attend Committee meetings in person where possible but may also attend by video or telephone conference.

6.3 The Committee shall have the opportunity to meet with the Chief Risk Officer privately.

6.4 The Company Secretary of the Bank, or their nominee, will be secretary to the Committee.

6.5 The Chair of the Committee can request attendees and/or reports from both first and second line.

## **7. Frequency of Meetings**

Meetings shall be held no fewer than four times a year or more frequently as circumstances require.

## **8. Meeting Materials**

8.1 The Secretary 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.

8.2 The Secretary shall circulate the minutes of the meeting to all members of the Board, unless it would be inappropriate to do so, taking into account any conflicts of interest that may exist.

8.3 The Committee has the ability to request minutes from the Bank's four Risk Management Committees as part of its meeting materials.

## **9. Responsibilities**

The responsibilities of the Committee are set out below:

### **Risk**

9.1 advise the Board on the Bank's appetite for risk and risk performance, 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 Bank's risk policies;

- 9.2 review, approve, and recommend to Board for approval specific Tier One Risk Policies including but not limited to;
  - 9.2.1 Third Party Supplier Contracts;
  - 9.2.2 Anti-Bribery and Corruption;
  - 9.2.3 Anti-Money Laundering;
  - 9.2.4 Compliance;
  - 9.2.5 Conduct Risk;
  - 9.2.6 Enterprise Risk Management Framework;
  - 9.2.7 Fraud Prevention;
  - 9.2.8 Health and Safety;
  - 9.2.9 Risk Appetite Statement;
- 9.3 review and recommend to the Board for approval on an annual basis the Liquidity Risk Appetite and overall Liquidity Risk Framework, including scenarios for and the results of different stress assumptions;
- 9.4 review and recommend to the Board for approval on an annual basis the Bank's ICAAP, Recovery Plan and ILAAP;
- 9.5 review and recommend actions to Board to address the Bank's Operational Resilience Self-Assessment (ORSA);
- 9.6 consider and recommend actions in respect of all risk issues escalated by the Chief Risk Officer;
- 9.7 oversee and advise the Board on the current risk exposures of the Bank (both non-financial and financial) and future risk strategy on both an aggregated basis and by risk type;
- 9.8 approve temporary or non-material (as determined at the discretion of the Chair of the Committee and highlighted in subsequent Board notifications) changes to Board Risk Appetite. Any such change shall be reported to the Board;
- 9.9 delegate to the Chair of the Committee authority to approve urgent material change requests in between Committee meetings, with all such material changes being reported to the members of the Committee and to the Board promptly;
- 9.10 explore and challenge risks across the Bank including reviewing the work of the Bank's Risk Management Committees;
- 9.11 in relation to risk assessment:
  - 9.11.1 keep under review the Bank's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
  - 9.11.2 review regularly and approve the parameters used in these measures and the methodology adopted;
  - 9.11.3 oversee the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- 9.12 review the Bank's capability to identify and manage new risk types;

- 9.13 oversee and challenge the design and execution of stress and scenario testing;
- 9.14 oversee and challenge the day-to-day risk management and oversight arrangements of management and ensure the Bank's adherence to the approved risk framework and policies;
- 9.15 review reports on any material breaches of risk limits and the adequacy of proposed action;
- 9.16 provide advice, oversight, and challenge to embed and maintain a supportive risk culture throughout the Bank;
- 9.17 review reports from management on the effectiveness of the risk systems that management have established;
- 9.18 before a decision is taken to proceed by the Board, oversee, challenge and advise the Board on strategic or material transactions including acquisitions or disposals, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Bank, and taking independent external advice where appropriate and available;
- 9.19 provide advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration;
- 9.20 on an annual basis review the Bank's procedures for detecting fraud;
- 9.21 on an annual basis review the Bank's procedures for the prevention of bribery;
- 9.22 review on an annual basis the adequacy and effectiveness of the Bank's anti-money laundering systems and controls;
- 9.23 consider and approve the remit of the risk oversight and risk management functions and ensure they have adequate resources and appropriate access to information to enable them to perform their functions effectively and in accordance with the relevant professional standards. The Committee shall also ensure the functions have adequate independence and are free from management or other restrictions;
- 9.24 recommend to the Board the appointment and/or removal of the Chief Risk Officer;
- 9.25 review promptly all reports from the Chief Risk Officer;
- 9.26 review and monitor management's responsiveness to the findings and recommendations of the Chief Risk Officer;
- 9.27 ensure the Chief Risk Officer is given the right of direct access to the Chair of the Committee;
- 9.28 without prejudice to the role of the Remuneration Committee, consider whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings;
- 9.29 review and approve limits for credit approvals;
- 9.30 review adequacy and reliability of risk models used within the Bank; and

### **Approval Authority**

- 9.31 consider, and if thought fit, authorise lending proposals in excess of Executive credit approval limits.

### **10. Legal Matters**

- 10.1 Receive and review regular reporting of outstanding litigation, investigation, and competition matters.

### **11. Other Matters**

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to external advisers and Secretariat for assistance as required;
- 11.2 ensure that appropriate and timely training is provided, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.3 give due consideration to laws and regulations, as appropriate;
- 11.4 oversee any investigation of activities which are within its Terms of Reference;
- 11.5 ensure there is regular review of its performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary for approval by the Board; the committee evaluation should cover the committee's interaction with other Board committees; and
- 11.6 in order to support the Committee in discharging its responsibilities in accordance with these Terms of Reference, maintain and regularly review the annual schedule of agenda items.

### **12. Reporting Responsibilities**

- 12.1 The Chair of the Committee shall report on how it has discharged its responsibilities to the Bank Board.
- 12.2 The Committee shall make whatever recommendations to the Board it deems appropriate to any area within its remit where action of improvement is needed.
- 12.3 The minutes of the meeting shall be provided to the Board.
- 12.4 The Chair of the Committee shall attend the Annual General Meeting (the "AGM") and be prepared to respond to any shareholder questions on the Committee's activities.