

Brooks Macdonald Group plc

Risk and Compliance Committee

Terms of Reference

Chair: Robert Burgess

Approval and Review Summary

Date Approved: 11 September 2023

Date of Next Review: June 2024

Approved at: Group Board Meeting



BROOKS MACDONALD

Risk & Compliance Committee

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1. Purpose

The Brooks Macdonald Group Plc Risk & Compliance Committee (the “Committee”) is a committee of the Brooks Macdonald Group Board (the “Board”). The Committee’s purpose is to assist the Board in discharging its responsibility to maintain effective systems of risk management, compliance and internal control throughout Brooks Macdonald Group plc and the group of subsidiary companies whose shares are ultimately held by Brooks Macdonald Group plc (the “Group”, “BM”).

The Committee provides leadership and direction of the Group’s overall risk appetite, risk tolerance and strategy whilst overseeing and advising the Board on the current and potential future Group-wide risk exposures. The Committee is responsible for reviewing and approving the Group Risk Management Framework, monitoring its effectiveness and adherence to various risk policies and regulation.

2. Scope

The scope of the Committee covers oversight of the Group’s risks, including compliance risk, across all business and functional areas and legal entities within the Brooks Macdonald Group, including responsibilities carried out on behalf of subsidiary legal entity Boards as appropriate.

3. Chair

- 3.1 The Chair of the Committee shall be a Non-Executive Director appointed by the Board.
- 3.2 In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting.
- 3.3 The Chair will have the responsibility for overseeing and assessing the overall performance of the Committee, based on the responsibilities set out in section 10, and will arrange for reviews of the Committee to be conducted at least annually.

4. Membership

- 4.1 The Committee shall comprise at least three members, being Non-Executive Directors of Brooks Macdonald Group PLC, who shall be appointed by the Board.
- 4.2 One of the members should also be a member of the Audit Committee. Members shall have appropriate knowledge, skills and expertise to fully understand risk appetite and strategy.

5. Attendees

- 5.1 Only members of the Committee shall have the right to attend meetings. The Committee may invite any individual, whether internal or external, to attend all or part of any meeting in whatever capacity as the Chair of the Committee deems appropriate in order to assist the Committee in its duties.
- 5.2 The Chief Risk Officer (CRO) shall attend meetings and the Committee may meet with this individual, management and other invitees as necessary without the presence of the Executive Directors.

6. Quorum

- 6.1 A meeting of the Committee will not be quorate unless at least three members of the Committee are present (either in person or by telephone, video conference, or other electronic means that facilitates the contemporaneous exchange of views).
- 6.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the responsibilities and discretions vested in or exercisable by the Committee.

7. Frequency of Meeting

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- 7.1 The Committee shall meet as frequently as necessary to fulfil its duties and responsibilities, but not less frequently than four times a year.
- 7.2 Any member of the Committee may request that a meeting be convened, although all meetings will be convened at the absolute discretion of the Chair.

8. Minutes of Meeting

- 8.1 The Secretary shall record the proceedings, decisions and actions arising from the Committee meetings, including the names of those present.
- 8.2 Draft minutes shall be circulated to all Members and attendees, as appropriate, taking into account any conflicts of interest. Once approved, final signed copies of the minutes should be maintained for the Company's records.

9. Shareholder Communication

- 9.1 The Committee Chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities and will act as a point of contact for shareholders on risk and compliance policy matters.

10. Responsibilities

Acting in its capacity as a committee of the Board and of its regulated subsidiary companies, the Committee is specifically responsible for:

Risk appetite, strategy and exposure management

- 10.1 Advising the board on the company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the company is willing to take in order to achieve its long-term strategic objectives.
- 10.2 Reviewing and challenging the adequacy of the Group's Risk Appetite(s) associated risk tolerances and all relevant policies.
- 10.3 Recommending the Risk Appetite Statement(s) at least annually.
- 10.4 Reviewing breaches to the Policies and risk appetite limits as escalated by the CEO, CRO, Head of Compliance, and Head of FC, challenging the adequacy of the proposed remedial actions.
- 10.5 Reviewing, challenging and where appropriate approving changes to the key assumptions (including stresses and scenarios) used in the production of the Group's Internal Capital and Risk Assessment (ICARA).
- 10.6 Considering and recommending the ICARA, including the Pillar III and the Group's stress and scenario testing, to the Board for approval (along with Group responses to actions required) on at least an annual basis as required in order to enable the Board to meet its statutory and regulatory responsibilities.
- 10.7 Advising the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on implications for the risk appetite, tolerance and strategy of the company, and taking independent external advice where appropriate and available.

Identification and management of the Group's key and emerging risks:

The RCC is responsible for:

- 10.8 Periodically (at least annually) reviewing and challenging the Group's material potential risk exposures (both current and forward looking), including associated actions to control such exposures.

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10.9 Maintaining an on-going awareness of key regulatory developments, together with potential implications.

10.10 Advising the board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.

Oversight of the effective design and operation of the Risk Management Framework, systems and controls

10.11 Periodically reviewing the Risk Management Framework and its embeddedness.

10.12 Reviewing and ensuring the appropriateness of the Group's approach to management of outsourcing arrangements.

10.13 Maintaining oversight of material issues, breaches and complaints through reporting escalated to the RCC, including consideration of the adequacy of the management actions proposed and any impact on the risk appetite or framework.

10.14 Maintaining an overview of the scope, planning and outcome of second- reviews, with responsibility for oversight of timely closure of action points and implementation of any consequent enhancements to Risk and Compliance systems and controls.

10.15 The committee shall oversee and seek suitable assurance regarding:

- The risk exposures of the company, including risk to the company's business model, and solvency and liquidity risks.
- The adequacy and effectiveness of the company's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems.
- The ability of the company's risk management and internal control systems to identify the risks facing the company and enable a robust assessment of principal risks.
- The company's capability to identify and manage new and emerging risks.
- The effectiveness and relative costs and benefit of particular controls.
- The effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary.
- The company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
- The appropriateness of the company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the company.
- The CRO and Group Head of Compliance's right of direct access to the chair of the board and to the committee.

Oversight of the effective operation of the risk and compliance functions

10.16 Reviewing and challenging to ensure the Risk and Compliance functions have adequate resources, appropriate access to information and independence to enable effective performance in accordance with the relevant professional standards.

10.17 Keeping the adequacy and effectiveness of the Risk and Compliance functions under review, making recommendations to the Board in respect of the appointment and/ or removal of the

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CRO. The RCC is also responsible for ensuring that the CRO and Group Head of Compliance have unfettered direct access to the Chair of the Committee and the Chair of the Board.

Regulatory compliance

- 10.18 Reviewing reports from the Group Head of Compliance, highlighting any material regulatory issues or concerns for the attention of the RCC.
- 10.19 Reviewing reports from the Money Laundering Reporting Officer in respect of the adequacy and effectiveness of the Company's financial crime systems and controls.
- 10.20 Assisting with respect to any other regulatory or compliance matters as requested by the Board.

Risk culture and awareness

- 10.21 Supporting the Board and management in embedding and maintaining a supportive culture in relation to the management of risk and compliance throughout the Group.

Other

- 10.22 Considering any other matter specifically referred to the Committee by the Board and make recommendations on any of these matters to the Board.
- 10.23 Reviewing and providing confirmation to the Audit Committee that, to the best of the Committee's belief, the disclosures made in the Annual Report concerning internal controls and risk management are fair, balanced and understandable. This to be formally confirmed in writing by the Chair of the Committee to the Chair of the Audit Committee as a part of the process of production of the Annual Report.
- 10.24 Working closely with the Remuneration Committee to assess whether the Group's remuneration processes are aligned with the business strategy and risk appetite and does not encourage excessive risk taking. The approach to this assessment shall be as agreed by the Chairs of the two committees.
- 10.25 Consideration and recommendation of any other risk related items requiring Board approval.
- 10.26 The committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

11. Reporting Responsibilities

The Committee shall receive reporting from the Group Executive Risk Management Committee (ERMC) and CRO.

In particular the Committee shall receive and review:

- 11.1 Reports from the CRO, highlight key and emerging risks and issues and escalation summaries of key matters arising at the Executive Risk Management Committee.
- 11.2 Information on the Group's material risk exposures, top risks, performance against risk appetite, control environment and regulatory compliance.
- 11.3 BM's annual ICARA report and supporting documents such as the Pillar III and Wind Down Analysis.
- 11.4 The annual reports from the Money Laundering Reporting Officers (MLRO).
- 11.5 Other information as it deems appropriate and necessary to carry out its responsibilities.

The Committee shall:

- 11.6 Produce a report to be included in the Group's Annual Report detailing the membership of the Committee, the work the Committee has undertaken in discharging its responsibilities and the Group's risk appetite and risk management framework.

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- 11.7 Provide a regular update to the Board on matters within its duties and responsibilities as required by the Board, or when the Chair of the Committee considers appropriate. The Committee may make recommendations to the Board as it deems relevant on any area within its remit.

12. Ongoing support

The Committee shall have access to sufficient resources in order to carry out its duties;

- 12.1 At the Company's expense, the Committee will be able to select, appoint and agree the terms of appointment of any advisers deemed appropriate by the Committee to provide advice to the Committee, including those used by management provided no conflict of interest arises, and invite such advisers to attend meetings to assist the Committee.
- 12.2 The Committee must give due consideration to all applicable laws and regulations, including the UK Corporate Governance Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook, together with any relevant rules, developments or implementation of new requirements as advised by the Company Secretariat.

13. Version Control

Version	Date Created	Created By	Date Approved	Reason for Change
V1.0	26 June 2018	E Fricker	26 June 2018	Approved at Group Board Meeting
V2.0	09 July 2020	Various	14 July 2020	Update following review of SM&CR working group
V3.0	June 2021	Various	13 July 2021	Annual review
V4.0	July 2022	PV/PN	July 2022	Annual Review
V5.0	July 2023	CC	11 September 2023	Annual Review