



**Metro Bank Holdings PLC**

**Risk Oversight Committee**

**Terms of Reference**

**Revision history:**

<b>Approved by the Board</b>	<b>25 July 2023</b>
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# METRO BANK HOLDINGS PLC

## GROUP RISK OVERSIGHT COMMITTEE TERMS OF REFERENCE

### 1. Constitution

Metro Bank Group (the “Group”) consists of Metro Bank Holdings Plc (the “Holding Company”) and its subsidiaries. The Holding Company Board of Directors (the “Board”) has established a Committee of the Board, known as the Group Risk Oversight Committee (the “Committee”), with Terms of Reference as set out below.

### 2. Purpose

2.1 The Committee shall be accountable to the Board and shall assist the Board in providing leadership, direction, and oversight with regard to risk governance and management across the Group, and shall also assist the Board to foster a culture within the Group that emphasises and demonstrates the benefits of a risk-based approach to risk management and internal controls. It works closely with the Audit Committee.

2.2 The Committee’s responsibilities in relation to subsidiaries that are required to establish risk committees are set out in section 14.

### 3. Chair

The Board shall appoint the Committee Chair who shall be a Non-Executive Director.

### 4. Membership

All members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chair of the Committee. The Committee shall comprise of independent Non-Executive Directors and shall comprise no fewer than three members including the Committee Chair. The activities of the Committee should involve participation by the Group Audit Committee. There will be a session at the end of each meeting with only the ROC members in attendance.

Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Board Chair, Chief Executive Officer (“**CEO**”), Chief Financial Officer (“**CFO**”), other Directors, Chief Risk Officer (“**CRO**”), representatives of the Risk, Compliance, Internal Audit functions or the External Auditor may be invited to attend all or part of any meeting as and when deemed appropriate and necessary by the Board or the Committee.

Appointments to the Committee shall be for a period of up to three years, extendable provided the Director remains independent.

A quorum shall comprise two members of the Committee.

In the absence of the Committee Chair, who shall be a Non-Executive Director, and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### 5. Secretary

The Company Secretary or his or her nominee shall act as the secretary of the Committee.

### 6. Meetings

6.1 The Committee shall meet as and when appropriate but not less than four times a year.

- 6.2 The Chair of the Committee, the CRO, or any member of the Committee may request additional meetings to consider such matters related to its responsibilities as they may consider desirable.

## **7. Notice of Meetings**

- 7.1 Meetings of the Committee shall be convened by the Committee Secretary at the request of the Committee Chair, any of its members or at the request of the CRO if he or she considers a meeting necessary.
- 7.2 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 days before the date of the meeting. The agenda together with relevant supporting papers shall be sent to Committee members and to other attendees as appropriate.

## **8. Minutes of Meetings**

- 8.1 The Committee Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, the minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chair of the Committee.
- 8.3 The Committee Secretary will retain copies of the minutes and papers.

## **9. Annual General Meeting**

The Committee Chair should attend the Annual General Meeting to answer questions from shareholders on the Committee's activities. In addition, the Committee Chair should appropriately engage with shareholders on significant matters related to the Committee's areas of responsibility.

## **10. Authority**

The Board authorises the Committee to:

- 10.1 investigate any matter within its Terms of Reference and make any recommendations which it deems appropriate on any area within its remit where action or improvement is needed;
- 10.2 ensure that an appropriate liaison is maintained with the Group Audit Committee and the Executive Risk and Asset and Liability Committees;
- 10.3 seek any information it requires from any director or employee of the Group in order to perform its duties. The Board directs that all directors and all employees co-operate with any requests made by the Committee and to have unrestricted access to Group documents;
- 10.4 collectively and individually have direct access to the CFO, CEO, CRO, Chief Internal Auditor and the External Auditors;
- 10.5 obtain at the Group's expense appropriate external professional advice and, if necessary, invite external advisers with relevant experience to attend meetings of the Committee;
- 10.6 delegate any of its duties as appropriate to such persons or person as it thinks fit;
- 10.7 form sub-committees from its membership to address specific aspects of its duties; and
- 10.8 be the designated committee of the Board for the purpose of model oversight.

## **11. Duties**

The Committee in carrying out its duties under these Terms of Reference shall:

- 11.1 Recommend to the Board the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and 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 Group's risk policies;
- 11.2 Ensure that a robust assessment of the top and emerging risks facing the Group is undertaken on a regular basis as specified in the ERMF (including those risks that would threaten its business model, future performance, solvency or liquidity and reputation) and provide oversight of the management and mitigation of those risks;
- 11.3 Regularly review the Group's current risk exposures in relation to the Board's risk appetite, monitoring any significant risks, including reviewing Risk reports to assess the level of risk exposure; and advise the Board on future risk strategy;
- 11.4 Subject to overlap with the Group Remuneration Committee, exercise oversight of the Group's values and culture and reward systems for managing risk and internal controls;
- 11.5 Review and challenge the ICAAP in order to determine the appropriate level of capital resources held against the Group's risk and make a recommendation to the Board for its approval;
- 11.6 Review and challenge the ILAAP in order to ensure it reflects the appropriate level of liquidity to be held in the Group and make a recommendation to the Board for its approval;
- 11.7 Review and challenge the Recovery Plan and Resolvability Assessments and make a recommendation to the Board for approval;
- 11.8 Approve material changes to the Group's Risk Frameworks, which cover its Level 1 risks and policies where required as well as recommending approval of selected policies by the Board where applicable;
- 11.9 In relation to risk assessment and subject to overlap with the Group Audit Committee<sup>1</sup>:
  - Make an assessment of risk management procedures (for the identification, measurement and control of key risk exposures) in accordance with changes in the operating and regulatory environment;
  - Regularly review and approve the parameters used in these measures and the methodology adopted;
  - Have oversight of the Group's internal financial control systems, other internal controls and the overall risk management framework, including the design, implementation and effectiveness of those systems and advise its findings to the Board; and
  - Review and approve the disclosures and statements in the annual report and accounts relating to internal controls and risk management and the viability statement.
- 11.10 Ensure that risk management is properly considered in Board decisions;

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<sup>1</sup> As required by provision 25 of the Code, the Audit Committee have a duty to "keep under review the effectiveness of internal controls and risk management systems including systems for ensuring compliance with the regulatory environment within which the Group operates" – in practice ROC carries out the review of the effectiveness of risk management systems.

- 11.11 Ensure appropriate escalation of risks and reports to the Board; Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Group, and taking independent external advice where appropriate and available;
- 11.12 Review all material adverse crystallisation of risks, including those involving breaches of the Group's procedures and oversight of root cause analysis;
- 11.13 Have oversight of model governance through review of the Model Governance Management Framework and quarterly updates on the output from the Model Oversight Committee;
- 11.14 Have oversight of capital planning as required by the Board<sup>2</sup>;
- 11.15 Have oversight of the Group's implementation of and compliance with the Senior Managers and Certification Regime;
- 11.16 Review the Group's capability to identify and manage new risk types in conjunction with the Audit Committee;
- 11.17 Consider information that is presented with financial statements relating to risk management policies and key risk exposures to ensure that it is in accordance with the statutory requirements and financial reporting standards, and approve the statements in relation to risk management;
- 11.18 Ensure that relevant disclosures are given in the annual report as to the Group's risk management and strategy in relation to financial instruments;
- 11.19 Review the reporting of key risks in the annual report and accounts and the half-yearly report, ensuring it is consistent with the internal reporting of key risks;
- 11.20 In conjunction with the CRO, opine on risk and risk adjustment as it applies to executive remuneration and remuneration of colleagues in the Group as a whole;
- 11.21 Have oversight of the Bank's ability to prevent and detect Fraud;
- 11.22 Review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance<sup>3</sup>;
- 11.23 Review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Group's anti-money laundering systems and controls;
- 11.24 Recommend to the Board the appointment and/or removal of the CRO;
- 11.25 Review promptly all reports on the Group from the CRO and monitor the response of the executive management to all the CRO's findings and recommendations;
- 11.26 Promptly review reports on any material breaches of risk limits and the adequacy of proposed action;
- 11.27 Ensure that the CRO shall be given the right of unfettered direct access to the Board Chair and to the Committee;
- 11.28 Consider and approve the remit of the Risk function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance

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<sup>2</sup> The Board has overall responsibility for the Group's strategy and long term planning.

<sup>3</sup> Audit Committee relies on ROC to discharge its responsibilities in this area, given that ROC review the systems and controls for Bribery as part of the financial crime updates.

with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions;

- 11.29 Consider any other matters requested by the Board from time to time;
- 11.30 Work and liaise as necessary with all other Board committees;
- 11.31 Reviewing the effectiveness of the framework for managing and reporting the financial risks from climate change;
- 11.32 Receive regular updates on risk management from colleagues in the First Line of Defence as deemed necessary by the CRO;
- 11.33 Review material incidents and operational risk losses and near misses following review by the ERC as specified in the ERMF.

## **12. Reporting**

- 12.1 The Chair of the Committee shall be responsible for reporting to the Board after each meeting on all matters within its duties and responsibilities.
- 12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3 The Committee shall produce a report of its activities and the Group's risk management and strategy to be included in the Group's annual report.
- 12.4 The directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.

## **13. Other Matters**

The Committee shall:

- 13.1 conduct an annual review of its performance<sup>4</sup> including 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;
- 13.2 ensure that it is provided with sufficient resources to undertake its duties, including access to the Company Secretariat function for assistance as required;
- 13.3 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;
- 13.4 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure and Transparency Rules and any other applicable rules, as appropriate; and
- 13.5 oversee any investigation of activities which are within its Terms of Reference.

## **14. Risk Committees of relevant subsidiaries**

- 14.1 To review the composition, powers and responsibilities of subsidiary committees with responsibility for oversight of risk within the Group.

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<sup>4</sup> The Committee may consider the use of external services in order to conduct the evaluation

- 14.2 To review core terms of reference for adoption by subsidiary risk committees and approve material deviations.
- 14.3 To liaise as necessary with the Group's subsidiaries with risk committees (setting clear expectations). In exercising its responsibilities, the Committee will have the right to request but not direct subsidiary risk committees to take action or provide information and documentation from time to time such as it shall determine. This may include the following: (i) receiving copies of the minutes from each subsidiary risk committee; (ii) receiving an update on the emerging risks of a subsidiary company; (iii) encouraging information sharing and best practice to be adopted; and (iv) encouraging interaction with the Committee and between the Chairs of subsidiary risk committees.