

SHAWBROOK GROUP PLC

RISK COMMITTEE - (the "Committee") TERMS OF REFERENCE

The following are the terms of reference of the Risk Committee of Shawbrook Group plc (the "Company") and its subsidiaries (together, the "Group").

1. Membership

- 1.1 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 Chairman of the Committee. The Committee shall comprise at least three members of which the majority should be independent and one should be the Chairman of the Audit Committee. The Chairman of the Board will not be a member of the Committee.
- 1.2 The Board shall appoint the chairman of the Committee (the "Chairman"), who shall be an independent non-executive director. In the absence of the Chairman, the remaining members present shall elect one member to chair the meeting.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for no more than two additional periods of up to three years, so long as (where applicable) members continue to be independent.
- 1.4 The Company Secretary (or his or her nominee) shall act as the Secretary of the Committee (the "Secretary") and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

2. Quorum

- 2.1 The quorum necessary for the transaction of business shall be two members of the Committee.
- 2.2 A duly convened and quorate meeting of the Committee shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3. Frequency of meetings

- 3.1 The Committee shall meet at least six times a year. Meetings may be convened by telephone when necessary.
- 3.2 Outside the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and the Chief Risk Officer.

4. Notice of meetings

- 4.1 Meetings of the Risk Committee shall be called by the Secretary at the request of any of its members or at the request of the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer or Chairman of the Board if he or she considers a meeting to be necessary.
- 4.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time, will be forwarded to each Committee member no later than ten business days prior to the meeting. An agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, and to other attendees as appropriate, no later than five business days before the date of the meeting. The notice period for a meeting may be reduced to consider urgent business on receipt of written shareholder consent. In these cases 24 hours' notice will be provided with an accompanying agenda and papers for the meeting.

5. Proceedings of the Committee

- 5.1 Only Committee members have the right to attend meetings. Regular attendees of the meeting will include, the Chief Risk Officer or his appointed alternate, the Chief Executive Officer, the Chief Financial Officer and General Counsel and Company Secretary. The Committee may invite other non-members (such as the Chairman of the Board, other Board Directors, the Head of Credit Risk, the Head of Operational Risk, the Chief Compliance Officer, the Head of Market & Liquidity Risk, the Enterprise Risk Director and other management) to attend all or part of any meeting as and when appropriate and necessary.
- 5.2 Similarly, the Committee may meet separately with any of the Executive Management Team (EMT) without any other EMT members being present.
- 5.3 The Chairman will be available to the Secretary, the Chief Financial Officer and the Chief Risk Officer to discuss any matters of concern in relation to internal control concerns or compliance with the Group's legal and regulatory obligations, in the widest sense, should this be considered necessary by those individuals.
- 5.4 Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chairman having a second, casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.

6. Minutes of meetings

- 6.1 The Secretary shall minute the proceedings and decisions of all Committee meetings and record the names of those present and in attendance. Any members with conflicts of interest should declare these at the start of the meeting and the Secretary shall note them for the minutes.
- 6.2 Draft minutes of Committee meetings shall be prepared and circulated as soon as practical to all attendees and members of the Committee and the shareholder.

- 6.3 The members of the Risk Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly.
7. Draft minutes of Risk Committee meetings shall be circulated to all members of the Risk Committee as soon as practicable after each meeting. Once approved, minutes shall be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairman. **Annual general meeting**

The Chairman shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities and responsibilities.

8. Authority

- 8.1 The Committee is authorised by the Board to undertake any activity within its terms of reference. The Committee is entitled to sufficient resources from the Group to undertake its duties and may at any time ask the Chief Risk Officer to carry out such independent reviews as it deems necessary and report back to the Committee.
- 8.2 In particular, the Committee is authorised to:
- (A) seek any information it requires from any employee of the Group 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 of the Group to be questioned at a meeting of the Committee as and when required; and
 - (D) publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

9. Responsibilities

- 9.1 The Committee exercises its internal control and risk management role through the reports it receives from internal and external auditors and consultants, from the Chief Risk Officer and from the Chief Financial Officer and other executive management.
- 9.2 The Committee:

Risk Strategy and Policy

- (A) reviews the design and implementation of risk management and strategies of the Group and the procedures for monitoring the adequacy and effectiveness of this process;
- (B) reviews the design and implementation of Enterprise Risk Management Framework document;

- (C) considers the Group's risk appetite relative to the current and future strategy of the Group;
- (D) oversees the Group's Internal Capital Adequacy Assessment Process, Internal Liquidity Adequacy Process, Capital Contingency Plan, Liquidity Contingency Plan and outputs therefrom;

Risk Profile

- (E) reviews, monitors and understands the risk profile of the Group (through the ongoing process of the identification, evaluation and management of all material risks);
- (F) reviews the performance of the Group relative to risk appetite;
- (G) receives and reviews reports relating to any significant issues that require, or are subject to, remedial action or recommendation arising in the period under review;

Risk Appetite, Framework and Limits

- (H) considers and recommends for approval by the Board, the risk appetite framework, statements and tolerance for current and future strategy;
- (I) recommends to the Board on an annual basis risk appetite and related authorities, limits and mandates;
- (J) ensures rigorous stress and scenario testing of the Group that explains the impact of crystallisation of identified risks and threats;
- (K) ensures a sufficient level of risk mitigation is in place;

Risk Management Operating Model

- (L) reviews the terms of reference for Enterprise Risk Management Committee (ERMC), including the scope and nature of the work undertaken in all areas of risk affecting the Group;
- (M) considers and approves the enhancements planned to the risk management framework inside the plan, known as Risk Plans.
- (N) considers the adequacy and effectiveness of resource within Risk Management;
- (O) monitors the training and development requirements of the Group to ensure the requisite skills are in place to control risk and promote an effective risk culture;

Risk Architecture

- (P) considers the adequacy and effectiveness of the technology infrastructure supporting the risk management framework;
- (Q) ensures the suitability of data captured, facilitates appropriate modelling and data analysis, and enables timely and effective management information to be produced for risk-monitoring and decision-making purposes;

General

- (R) reviews and approves the statements to be included in the annual report concerning: (i) the principal risks facing the Company and how they are being managed; (ii) the assessment of the Company's prospects; and (iii) internal controls;
- (S) oversees and challenges the day-to-day risk management and oversight arrangements of the Board;
- (T) oversees and challenges the due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board;
- (U) receives and reviews regular reports on significant litigation and compliance issues involving the Group;
- (V) reviews the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (W) reviews the Company's procedures for protecting against fraud;
- (X) reviews the Company's processes and procedures for ensuring that applicable regulatory requirements are complied with;
- (Y) reviews the Company's systems and controls for the prevention of bribery and receives reports on non-compliance;
- (Z) reviews the corporate risk register and considers mitigating actions;
- (AA) considers the business compliance focus log;
- (BB) considers other matters, as determined by the Board;
- (CC) reviews regular reports from the money laundering reporting officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls;
- (DD) reviews regular reports from the compliance department and keeps under review the adequacy and effectiveness of the Company's compliance function;

(EE) provides advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in the incentive structure of the Company; and

(FF) ensures the Chief Risk Officer has direct access to the Board.

10. Fraud, bribery and other compliance

10.1 To review the group's policies and procedures for preventing and detecting fraud, its systems and controls for preventing bribery, its code of corporate conduct/business ethics and its policies for ensuring that the Group complies with relevant regulatory and legal requirements, receive reports and consider appropriate action.

11. Reporting responsibilities

11.1 The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities and report on any other issues on which the Board has requested the Committee's opinion.

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

11.3 The Committee shall produce an annual report on its activities to be included in the Company's annual report. The report should include the Company's risk management framework and strategy.

11.4 The annual report and accounts should set out the Company's risk management objectives and policies.

12. Other matters

12.1 The Committee shall:

(A) 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;

(B) give due consideration to laws and regulations, the provisions of the Prudential Regulation Authority Rulebook and the Financial Conduct Authority's Handbook, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;

(C) have regard to regulatory requirements including any applicable rules and guidance issued by regulatory bodies;

(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 periodic reviews of its own performance 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.

These terms of reference were reviewed and approved by the Board on[date].

APPROVAL RECORD

Approval Body	Approval Date	Details
Shawbrook Group/Bank Board	20 March 2015	Adopted by Board
Shawbrook Group/Bank Board	1 February 2016	Adopted by Board
Shawbrook Group/Bank Board	4 April 2017	Adopted by Board
Shawbrook Group/Bank Board	3 October 2017	Adopted by Board