

**TSB BANK PLC (THE 'COMPANY')  
BOARD RISK COMMITTEE  
TERMS OF REFERENCE**

In these Terms of Reference:

'**TSB**' means the Company together with its subsidiaries and subsidiary undertakings from time to time (as defined in the Companies Acts 2006).

'**Ring-Fenced Bank**' ('**RFB**') or the '**Parent**' means Santander UK Plc.

'**RFB Sub-group**' means the Parent together with its subsidiaries and subsidiary undertakings from time to time (as defined in the Companies Acts 2006).

'**HoldCo**' means Santander UK Group Holdings Plc.

'**Santander UK Group**' means HoldCo together with its subsidiaries and subsidiary undertakings from time to time (as defined in the Companies Acts 2006).

## **1. PURPOSE**

**1.1** The Board of Directors of the Company (the '**Board**') has established a Board Risk Committee (the '**Committee**') to assist the Board in overseeing risk management at TSB, ensuring that management has in place policies, processes and procedures and has the appropriate organisational structure, budget and resources to manage the principal risks to which TSB is exposed, including compliance with applicable laws and regulations. The Committee is responsible for championing a transparent and responsible risk culture within TSB, ensuring an appropriate balance between risk and reward which acts to deliver good outcomes for customers, a safe and resilient financial profile and collaborative relationships with the regulators, while promoting the success of TSB for the benefit of its shareholder and having due regard to its wider stakeholders.

In carrying out its responsibilities, the Committee will make whatever recommendations or escalations to the Board on any area within its remit, including but not limited to matters that are reserved for the Parent. Any material issues shall be reported to the RFB Board Risk Committee Chair.

**1.2** The Committee is responsible for the oversight of the management of the Company's overall risk profile, which includes the following risk categories aligned to TSB's risk categorisation model:

- a) Financial Risk
- b) Credit Risk
- c) Conduct Risk
- d) Operational Risk
- e) Financial Crime Risk
- f) Model Risk
- g) Strategic Risk

**1.3** The Committee is a committee of the Board and as such is authorised by the Board to:

- a) delegate any of its responsibilities to a sub-committee including one established solely for that purpose, whilst maintaining accountability. Any such instances of delegation shall be reported to the Board;

- b) seek any information that it requires or request attendance at a meeting from any employee or director of the Company or any other member of TSB, and all employees and directors are directed to co-operate with any requests made by the Committee; and
- c) obtain outside legal or other independent professional advice in relation to matters falling within its responsibilities set out below and to approve the fees and other terms of any such retainer.

## **2 RESPONSIBILITIES**

The Committee shall carry out the duties below for TSB as appropriate:

### **2.1 Risk Management and Internal Control**

- 2.1.1** Oversee and advise the Board on the maintenance, effectiveness and development of TSB's framework for risk management and internal control, covering all material controls including financial, operational, reporting and compliance controls.
- 2.1.2** Review regular reports from the First and Second Lines of Defence on the performance of the business against the risk categories, on how risks are identified and managed, and on adherence to and the effectiveness of the risk management and internal control frameworks. This includes at least an annual report on TSB's compliance position, providing visibility of any material compliance gaps and associated business actions.
- 2.1.3** Review recommendations and reporting received from the Bank's Executive Risk Committee and Level 1 Risk committees.
- 2.1.4** Review and recommend to the Board any statements to be included in the Company's Annual Report & Accounts concerning risk management and internal controls, taking into account the outcome from the Board Audit Committee's review of the effectiveness of internal financial controls.
- 2.1.5** Approve the risk disclosures within the Company's Annual Report & Accounts
- 2.1.6** Oversee and advise the Board in support of the Board's assessment of TSB's principal, evolving and emerging risks and risk exposures, including:
  - (a) the nature and extent of principal, evolving and emerging risks and challenges that could impact TSB achieving its long-term strategic objectives, and will ensure that appropriate stress and sensitivity analyses are regularly carried out, anticipating changes in and impacts to business conditions;
  - (b) the range of plausible stress scenarios that TSB is exposed to and the ability of risk management and internal control framework and procedures to identify and assess the impact of risks materialising, and to manage and mitigate these risks to reduce the consequences of their incidence; and
  - (c) the risk consequences of proposed changes to strategy and strategic transactions and initiatives including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of TSB and taking independent external advice where appropriate.
- 2.1.7** Review and discuss the Money Laundering Reporting Officer's Report on an annual basis.

- 2.1.8** Ongoing monitoring of TSB's compliance with the Resolvability Assessment Framework regulations.
- 2.1.9** Review the Chief Risk Officer's report to the Board on the alignment of remuneration to: (a) risk management and risk performance; and (b) the risk culture of acting to deliver good outcomes for customers. The Committee Chair will also have an opportunity to report (as required) to the Board on the output of the Committee's discussion on this report.
- 2.1.10** Report to the Board on the compliance of TSB with prudential and conduct risk regulations. Contribute to and, where appropriate, challenge the assessment of the quality of TSB's relationships with its regulators.

## **2.2** Risk Appetite

- 2.2.1** Advise the Board on TSB's overall risk appetite and policies (with reference to the Santander UK Group's risk appetite and policies, as modified, where necessary, to reflect applicable legal and regulatory requirements applying to TSB), to ensure they are in line with regulatory, corporate governance and industry best practice. In discharging this duty, the Committee shall take into account the current and prospective macroeconomic, financial environment and impacts from climate change, and shall draw on any financial stability assessments such as those published by relevant authorities including the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority and other authoritative sources that may be relevant for TSB's risk policies.
- 2.2.2** Review performance against risk appetite metrics, including reports on any breaches and the adequacy of proposed remedial actions.
- 2.2.3** Recommend to the Board, at least on an annual basis, TSB's Risk Appetite, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), Reverse Stress Test and Recovery Plan, together with the scenarios to be used in the ICAAP, ILAAP, Reverse Stress Test and Recovery Plan.

## **2.3** Risk Function

- 2.3.1** Review the appointment or dismissal of the Chief Risk Officer, and make a recommendation to the Board in relation to the same. In addition, the Committee shall be provided with the opportunity to comment, via the Committee Chair, on setting the objectives for, appraising the performance of and determining the remuneration of the Chief Risk Officer.
- 2.3.2** Approve the Risk Oversight Plan and review and discuss with the Chief Risk Officer the remit of the Bank's Risk function, its resources, skills and capabilities and its authority, standing and level of independence within TSB. Review the issues identified as a result of the Risk Function's work, how management is addressing these issues and effectiveness of risk management systems. Periodically review the performance of the Bank's Risk Function, taking into account relevant information which may include (but is not limited to) the assessment within Internal Audit's annual report on internal controls and/or any other independent review as appropriate.
- 2.3.3** Ensure that the Chief Risk Officer and RFB Risk Officer have full and unfettered access to the Board and to members of the Committee.

- 2.3.4 At least once a year, meet with the Chief Risk Officer, without the presence of other management, to assist the Committee in understanding the implications of risk in the discharge of its responsibilities and to ensure open and transparent discussions on matters of relevance to the Committee.

## 2.4 Policies

- 2.4.1 Review and approve TSB's Risk Management Framework, Information and Cyber Security, Proposition Design and Governance, and Compliance Framework Policies.
- 2.4.2 Review and recommend for Board approval TSB's Supplier Policy.
- 2.4.3 In addition to the specific policies set out above, review and approve as required new risk policies and frameworks, and material amendments to risk policies and frameworks recommended by the Chief Executive Officer and Chief Risk Officer.
- 2.4.4 Oversee adherence to TSB's risk policies and standards and any action taken resulting from material policy breaches across TSB, based upon reports from the Chief Executive Officer and the Chief Risk Officer.

## 3 COMMITTEE EFFECTIVENESS AND TERMS OF REFERENCE

- 3.1 Periodically, and at least every two years or at the request of the Board at any time, review the Terms of Reference of the Committee, to ensure that they remain appropriate and fit for purpose, and recommend to the Board any changes considered necessary or desirable.
- 3.2 Periodically review the effectiveness of the Committee and report to the Board thereon.

## 4 MEMBERSHIP AND OPERATION OF THE COMMITTEE

- 4.1 The Committee shall comprise at least three directors, all of whom shall be Independent Non-executive Directors. The Committee shall include at least one member of the Company's Board Audit Committee. Members shall have appropriate knowledge, skills and expertise to fully understand risk appetite and policies.
- 4.2 Members of the Committee shall be appointed by the Board, in consultation with the Committee chair.
- 4.3 The Board shall appoint the Committee chair who must be an Independent Non-executive Director. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board.
- 4.4 The Company Secretary or their nominee shall act as the secretary to the Committee.
- 4.5 The quorum necessary for the transaction of business shall be any two members of the Committee.
- 4.6 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair, any other Committee member or the Chief Risk Officer.
- 4.7 Unless otherwise agreed, notice of the meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-executive Directors,

no later than four 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.

- 4.8** Members may attend meetings via teleconference or videoconference if required. Decisions of the Committee may also be taken by way of a unanimous written resolution of all eligible Committee members. Such written resolution is adopted when all eligible members of the Committee have signed one or more copies of it or otherwise indicated their agreement to it in writing (which may include by electronic mail).
- 4.9** The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members (where required) and on an ongoing basis for all members.
- 4.10** Meetings shall be held as circumstances require, but at least four times a year to enable responsibilities to be discharged.
- 4.11** Outside of the formal meeting programme, 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 Officer, the Chief Risk Officer, the Chief Audit Officer, the External Audit Partner and the RFB Risk Officer.

## **5 NON MEMBERS/OTHER ATTENDEES**

- 5.1** Only members of the Committee have the right to attend Committee meetings. However, all other Non-executive Directors have an open invitation to observe meetings.
- 5.2** The Chief Risk Officer shall be expected to attend all meetings. The Chief Executive Officer and Chief Financial Officer have a standing invitation to attend meetings for agenda items requiring their input or under their areas of accountability. Additionally, the General Counsel, Chief Audit Officer, appropriate representatives from business functions and external advisors may be invited to attend all or part of meetings as appropriate, together with other attendees at the discretion of the Committee chair. Deputies for TSB executives may attend at the discretion of the Committee chair.

## **6 INPUTS**

- 6.1** In discharging its duties, the Committee will be supported by and have access to the advice and services: internally, of relevant TSB executive members and their functions (including but not limited to Internal Audit, Risk, Legal/Company Secretariat and Finance); and externally, independent professional, technical and/or legal advice or other resources, at the Company's expense, as and when it considers this necessary.
- 6.2** The Committee shall give due consideration to relevant legislation, regulation, best practice guidance, industry practice and developing trends affecting issues within the Committee's remit.
- 6.3** The Committee shall work and liaise as necessary with all other Board committees, including those temporarily established for a specific purpose. Where there is a perceived overlap of responsibilities, the respective committee chairs shall have discretion to determine the most appropriate committee to fulfil the obligation.
- 6.4** The Committee shall have regard to the views and procedures of the Parent on matters within the Committee's remit which i) relate to a matter reserved to the Parent, or ii) otherwise, where considered relevant by the Committee to ensure appropriate coordination with the Parent.

## **7 OUTPUTS**

- 7.1** The Committee chair shall report formally to the Board on the Committee's proceedings and how it has discharged its responsibilities and make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.2** The secretary of the Committee shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.3** Draft minutes of Committee meetings shall be distributed promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless in the opinion of the Committee chair, it would be inappropriate to do so.
- 7.4** Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records. These may be signed electronically and held in soft and/or hard copy.

## **8 MISCELLANEOUS**

- 8.1** References in these Terms of Reference to executive positions are to the individual holding that position for TSB, whether formally appointed by TSB or otherwise.