

# Morses Club PLC

## Risk & Compliance Committee

### Terms of Reference

#### Header

<b>Version</b>	V1.0
<b>Date Issued</b>	25/2/2020
<b>Next Review Date</b>	February 2021
<b>Director</b>	Chair of the Risk & Compliance Committee
<b>Owner</b>	Company Secretary
<b>Summary</b>	The principal purpose of the Risk & Compliance Committee is to assist the Board in its oversight of risk and regulatory compliance within the Group with particular focus on the FCA's developing requirements, risk appetite, risk profile and the effectiveness of the Group's internal controls and risk management systems.
<b>Target Audience</b>	All

#### Version Control

<b>Date of Revision</b>	<b>New Version</b>	<b>Amendments Made</b>	<b>Approved By</b>	<b>Date of Meeting</b>
2/7/2019	V0.9	Document layout made consistent with other company policies; names of members removed from the document.	The Committee	2 July 2019
25/2/2020	V1.0	Update membership details (independent directors, not Board Chairman	The Committee	10 March 2020

**1. Name**

This Committee of the Board of Directors ("the Board") shall be known as the Risk and Compliance Committee ("the Committee").

**2. Membership**

- 2.1 Members of the Committee will be appointed by the Nominations Committee in consultation with the Chair of the Committee. The Committee shall consist of not less than two independent non-executive directors. Membership of the Committee will be reviewed by the Board on an annual basis.
- 2.2 Appointments to the Committee of non-executive directors shall be for a period of up to 3 years, extendable by no more than 2 additional 3-year periods, so long as members continue to be independent.
- 2.3 The Chairman of the Board cannot be a member of the Committee.
- 2.4 The Chair of the Committee shall be appointed by the Board. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

**3. Secretary**

The Company Secretary (or his or her nominee) shall ordinarily 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.

**4. Quorum**

- 4.1 The quorum necessary for the transaction of business shall be two members of the Committee, of whom at least one must be the Chair of the Committee or their nominated deputy.
- 4.2 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.

**5. Frequency of meetings**

- 5.1 The Committee shall meet at least three times in each financial year at appropriate intervals and at such other times as required for the Committee to effectively discharge its responsibilities.
- 5.2 Outside the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the

Chairman of the Board, the Chief Executive Officer and the Director of Risk & Compliance.

## **6. Notice of meetings**

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair of the Committee, or any of its members, if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and the relevant supporting papers, shall be made available to each member of the Committee and any other person required to attend, no later than three working days before the date of the meeting.

## **7. Attendance at meetings**

- 7.1 Only Committee members have the right to attend Committee meetings. However, the Committee may invite non-members (such as non-independent directors, members of the management team and external advisers) to attend all or part of any meeting as and when appropriate or necessary.
- 7.2 Meetings may be held by telephone.
- 7.3 The Committee may meet separately with any of the Executive Directors without any other Executive Directors being present.
- 7.4 The Chair will be available to the Secretary and the Director of Risk & Compliance to discuss any matters of concern in relation to internal controls or compliance with the Company's legal and regulatory obligations, in the widest sense, or any other matters within the remit of the Committee should this be considered necessary by those individuals.
- 7.5 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 Chair of the Committee 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.
- 7.6 A decision in writing and signed by all the members of the Committee will be as effective as a resolution passed at a Committee meeting. Any written decision will be tabled and noted at a meeting of the Committee.

## **8. Minutes of meetings**

- 8.1 The Secretary (or his or her nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 8.2 The members of the Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly.

- 8.3 Minutes of Committee meetings shall be circulated to all members of the Committee and the Board, once approved by the Chair.
- 8.4 Final signed copies of the minutes of the meetings of the Committee shall be maintained as part of the records of the Company.
- 8.5 The Chair of the Committee, or in his or her absence another Committee member, will raise any significant matters arising at the next Board meeting.

## **9. Annual General Meeting**

The Chair of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities and responsibilities.

## **10. Authority**

The Committee is authorised by the Board if the Committee considers it necessary to:

- 10.1 conduct or authorise any investigation into matters within its scope of responsibility;
- 10.2 call on any employee of the Company to be questioned at a meeting of the Committee as and when required;
- 10.3 obtain any information it requires from any employee of the Company or external third party in order to perform its duties;
- 10.4 to obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- 10.5 publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

## **11. Duties**

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

### 11.1 *General*

- 11.1.1 design, implement and monitor the risk management framework;
- 11.1.2 advise the Board on the Company's overall risk appetite, tolerance and framework, 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 Financial Conduct Authority and other authoritative sources that may be relevant for the Company's risk policies;
- 11.1.3 oversee and advise the Board on the current risk exposures of the Company and future risk framework;

- 11.1.4 where requested by the Board, provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate as referred to in the annual viability statement;
- 11.1.5 review management's assessment of risk at least annually and provide an update to the Board in this regard;
- 11.1.6 review reports on any material breaches of risk limits and the adequacy of proposed action;
- 11.1.7 keep under review the Company's business continuity plans;
- 11.1.8 monitor the training and development requirements of the Company to ensure the requisite skills are in place to control risk and promote an effective risk culture; and
- 11.1.9 work and liaise as necessary with all other Board committees.

## 11.2 *Conduct risk*

- 11.2.1 review reports on conduct risk and exercise oversight of and challenge the way management deals with conduct risk;
- 11.2.2 oversee conduct strategy with customers, the offering of responsible products and services; and the responsible provision of products and services according to customer needs that are fit for purpose, making recommendations to the Board as appropriate; and
- 11.2.3 review the effectiveness of the processes by which the Company identifies and manages customer and conduct risk to ensure fair customer outcomes in accordance with both the Company's policies and regulatory requirements, using both qualitative and quantitative metrics, by overseeing and advising the Board on the current customer and conduct risk exposures.

## 11.3 *Regulatory risk*

- 11.3.1 monitor relations with regulators and arrangements for ensuring that the Company is in compliance with statutory and regulatory obligations and responsibilities;
- 11.3.2 receive briefings on changes to legal and regulatory requirements;
- 11.3.3 review the scope and nature of work of the Compliance function and keep under review the adequacy and effectiveness of the Company's Compliance function;
- 11.3.4 review activity reports from the Compliance function, paying particular attention to the progress of Compliance work against plan, the nature and extent of any unscheduled work undertaken, the status of Compliance

recommendations, and work undertaken to monitor changes in regulatory and legal requirements; and

11.3.5 review the findings of internal investigations of any suspected financial crime, irregularities or infringements of laws, rules and regulations.

11.4 *Credit risk*

11.4.1 monitor, review and approve credit policies across the Company and any material changes;

11.4.2 review reports on credit related matters; and

11.4.3 review reports on lending outside credit policies (exceptions reporting).

11.5 *Whistleblowing and wrongdoing*

11.5.1 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

11.5.2 review the investigation of matters resulting from concerns raised, in confidence, about possible wrongdoing and consider the risk related implications of such matters; and

11.5.3 review the Company's policies and procedures for preventing and detecting fraud and money laundering across the Company and report any actual, suspected or alleged fraud (involving misconduct or unethical behaviour relating to financial reporting) or misrepresentation of assets to the Audit Committee.

11.6 *Strategic and business risk*

11.6.1 oversee and challenge the oversight arrangements of the Board; and

11.6.2 oversee and challenge the due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board.

11.7 *Operational risk*

11.7.1 oversee and challenge the day-to-day risk management; and

11.7.2 review the material risks within the Company's risk register and consider mitigating actions.

## 11.8 *Liquidity risk*

11.8.1 review any funding reports, paying particular attention to whether adequate funding is available to achieve growth targets and whether there is any risk of breaching covenant conditions attached to borrowing facilities.

## 11.9 *IT risk*

11.9.1 review the Company's resilience in dealing with cyber attacks;

11.9.2 keep under review, in conjunction with the Audit Committee, the effectiveness of the Company's internal financial controls and internal controls and risk management systems; and

11.9.3 exercise oversight of the Company's business continuity and disaster recovery plans and processes.

## **12. Reporting responsibilities**

12.1 The Chair of the Committee, or in their absence another Committee member, shall report to the Board on its proceedings 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. Any such recommendation of the Committee shall take effect only if approved by the Board.

12.3 The Committee shall assist the Board to draw on the results of the ongoing risk monitoring process to obtain sound, appropriately documented evidence to support the relevant statements and confirmations required from the Board in the Company's annual report and financial statements, including:

12.3.1 that the Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;

12.3.2 how the Board has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate; and

12.3.3 whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment.

12.4 The Committee shall review and approve an annual report on its activities to be included in the annual report and financial statements. The Committee shall review and approve the statements to be included in the annual report and financial statements concerning: (i) the principal risks facing the Company and how they are being managed; (ii) the Company's risk management framework and strategy; (iii) the assessment of the Company's prospects; and (iv) internal controls. The report should include details of the membership of the Committee, number of meetings held and attendance over the course of the year.

12.5 The Committee shall review and agree any risk disclosures in the financial statements (including the Company's annual and half-yearly reports, preliminary results announcements, any quarterly management statements and any other public announcements relating to the financial performance of the Company), in particular the disclosures in the Directors' Report relating to risk management objectives and policies and statements on internal controls and risk management.

**13. Other matters**

The Committee shall:

- 13.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 13.2 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;
- 13.3 give due consideration to laws and regulations, the provisions of the Corporate Governance Code and the requirements of the Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 13.4 work and liaise as necessary with all other Board Committees;
- 13.5 oversee any investigation of activities which are within its terms of reference; and
- 13.6 review its own performance, constitution and terms of reference at least annually to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## Risk & Compliance Committee Meetings - Annual Meeting schedule

### Standing Agenda Items

- Declaration of interest
- Review of Minutes
- Action items
- Risk Exco minutes
- Credit Risk Committee minutes
- Regulatory update
- Board risk matrix
- TCF Conduct risk
- Compliance monitoring
- Information security / DPO

### April

1. MLRO Report

(No additional items due to Audit Committee meeting reviewing the Year End Accounts)

### July

1. Sign off Compliance Monitoring Plan
2. Review whistleblowing policy and procedures

### October

1. Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate independence and is free from management and other restrictions.
2. Review of company's business continuity and disaster recovery plans
3. Review the company's resilience in dealing with cyber attacks

Version 1.0 February 2020

## February

1. Annual Review of Risk Committee's constitution, terms of reference and standing agenda items
2. Annual Review of Risk Committee performance
3. Committee Review for Annual Report
4. Formulation and recommendation of risk appetite and risk tolerances to the board
5. Review management's assessment of risk at least annually and provide an update to the Board in this regard
6. On behalf of the Board, review the overall levels of insurance for the company including directors' and officers' liability insurance