



Metro Bank PLC

Risk Oversight Committee

Terms of Reference

Revision history:

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## **METRO BANK PLC**

### **RISK OVERSIGHT COMMITTEE TERMS OF REFERENCE**

#### **1. Constitution**

1.1. Metro Bank Group (the “Group”) consists of Metro Bank Holdings Plc (the “Holding Company”) and its subsidiaries. The Metro Bank PLC (the “Bank”) Board of Directors (the “Board”) has established a Committee of the Board, known as the Risk Oversight Committee (the “Committee”). This document sets out the roles and responsibilities of the Committee.

#### **2. Role**

2.1. The Committee shall be accountable to the Board and shall assist the Board in discharging its responsibilities in ensuring that risks are properly identified, assessed, and reported on; that risks are properly managed and controlled to support delivery of good customer outcomes and to avoid foreseeable harm to customers and to the Bank. The Committee shall also assist the Board in fostering a culture within the Bank that emphasises and demonstrates the benefits of a risk-based approach to risk management and internal controls.

2.2. In all matters, the Committee will consider the relevance and implications of the FCA Consumer Duty requirements while promoting a consumer centred culture in line with Consumer Duty requirements.

2.3. The Committee works closely with the Group Audit Committee; the Bank Audit Committee; and the Group Risk Oversight Committee.

#### **3. Membership**

3.1. Members shall be appointed by the Board, on the recommendation of the Group Nomination Committee in consultation with the Chair of the Committee. The Committee shall comprise of no fewer than three members, including the Committee Chair, all of whom should be independent Non-Executive Directors. The Committee should seek to hold sessions immediately before or after meetings with only the ROC members in attendance where possible.

3.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals, including other Non-Executive Directors, Senior Management and external advisers may be invited to attend all or part of any meeting as and when appropriate.

3.3. Appointments to the Committee shall be for a period of up to three years, extendable provided members still meet the criteria for membership of the Committee as set out in 3.1.

3.4. The Committee should have cross-memberships with the Audit Committee.

#### **4. Chair**

4.1. On the recommendation of the Group Nomination Committee, the Board shall appoint the Committee Chair, who shall be an independent Non-Executive Director.

4.2. 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.

#### **5. Secretary**

5.1. The Company Secretary, or their nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### **6. Quorum**

6.1. The quorum necessary for the transaction of business shall be two members present throughout the meeting in person or via electronic means.

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 authorities, powers and discretions vested in or exercisable by the Committee.

#### **7. Meetings**

- 7.1. The Committee shall meet as and when appropriate but not less than four times a year.
- 7.2. Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chair, any of its members or the CRO to consider such matters related to its responsibilities as they may consider desirable.
- 7.3. 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 the Chair of the Committee for review ahead of submission to the Committee for approval. Once approved, the minutes should be circulated to all 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 shall record any conflicts of interest reported at the meeting.
- 8.4. The Committee Secretary will retain copies of the minutes and papers.

## **9. Duties**

The Committee shall fulfil its duties under these Terms of Reference through the following:

### **Risk Appetite, Tolerance and Strategy**

- 9.1. Recommend to the Board the Bank'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 Bank's risk policies;

- 9.2. Regularly review the Bank'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;
- 9.3. 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, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Bank, and taking independent external advice where appropriate and available;

#### **Risk Identification, Internal Controls and Risk Management**

- 9.4. Ensure that risk management is properly considered in Board decisions;
- 9.5. Approve material changes to the Bank'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;
- 9.6. In relation to risk assessment and subject to overlap with the Bank Audit Committee<sup>1</sup>:
  - Make an assessment of the appropriateness of the Bank's risk identification, assessment and management processes and systems 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 Bank'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.

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<sup>1</sup> As required by provision 29 of the Code, the Audit Committee has 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 Bank operates" – in practice, ROC carries out the review of the effectiveness of risk management systems.

- Determine the population assess the effectiveness of the Bank's material internal controls and make a recommendation to support the Board's declaration in respect of same in the annual report and accounts;
- 9.7. Review the Bank's capability to identify and manage new risk types in conjunction with the Audit Committee;
  - 9.8. Ensure that a robust assessment of the top and emerging risks facing the Bank 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;
  - 9.9. Review material incidents and operational risk losses and near misses following review by the Executive Risk Committee as specified in the ERMF;
  - 9.10. Review all material adverse crystallisation of risks, including those involving breaches of the Bank's procedures and oversight of root cause analysis;
  - 9.11. Have oversight of model governance through review of the Model Governance Management Framework and regular updates on the output from the Model Oversight Committee;
  - 9.12. Keep under review the adequacy and effectiveness of the Bank's Compliance function;
  - 9.13. Have oversight of the Bank's ability to prevent and detect Fraud;
  - 9.14. Review the Bank's systems and controls for the prevention of bribery and receive reports on non-compliance<sup>2</sup>;
  - 9.15. Review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Bank's anti-money laundering systems and controls;

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<sup>2</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

9.16. Promptly review reports on any material breaches of risk limits and the adequacy of proposed action;

9.17. Receive regular updates on risk management from colleagues in the First Line of Defence as deemed necessary by the CRO;

### **Regulatory**

9.18. Review and challenge the ICAAP in order to determine the appropriate level of capital resources held against the Bank's risk and make a recommendation to the Board for its approval;

9.19. Review and challenge the ILAAP in order to ensure it reflects the appropriate level of liquidity to be held in the Bank and make a recommendation to the Board for its approval;

9.20. Review and challenge the Recovery Plan and Resolvability Assessments and make a recommendation to the Board for approval;

9.21. Have oversight of capital planning as required by the Board<sup>3</sup>;

9.22. Give due regard to applicable laws, regulations, and industry standards when making decisions and take into account the risk and reputation impacts of these decisions;

9.23. Have oversight of the Bank's implementation of and compliance with the Senior Managers and Certification Regime;

9.24. Review the effectiveness of the ESG framework including managing and reporting the financial risks from climate change;

### **Remuneration**

9.25. Subject to overlap with the Group Remuneration Committee, exercise oversight of the Bank's values and culture and reward systems for managing risk and internal controls;

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<sup>3</sup> The Board has overall responsibility for the Bank's strategy and long term planning

9.26. 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.

### **Narrative Reporting**

9.27. 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;

9.28. Ensure that relevant disclosures are given in the financial statements as to the Bank's risk management and strategy in relation to financial instruments;

9.29. 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;

### **Other Responsibilities**

9.30. Review promptly all reports on the Bank from the CRO and monitor the response of the executive management to all the CRO's findings and recommendations;

9.31. Consider any other matters requested by the Board from time to time;

9.32. Work and liaise as necessary with all other Board and Group Board committees;

9.33. Recommend to the Board the appointment and/or removal of the CRO;

9.34. Ensure that the CRO shall be given the right of unfettered direct access to the Board Chair and to the Committee; and

9.35. 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 with the relevant professional standards. The



Committee shall also ensure the function has adequate independence and is free from management and other restrictions.

## **10. Reporting Responsibilities**

10.1. The Chair of the Committee shall be responsible for reporting to the Board after each meeting on all matters within its duties and responsibilities.

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

10.3. The Committee shall produce a report of its activities to be included in the Bank's financial statements, describing the work of the Committee.

10.4. The directors' report in the financial statements should set out risk management objectives and policies including in relation to financial instruments.

## **11. Authority**

11.1. The Committee is authorised by the Board to obtain, at the Bank's expense, outside legal or other professional advice on any matters within its Terms of Reference.

11.2. The Committee is authorised to seek any information it requires from any employee of the Bank in order to perform its duties.

## **12. Other Matters**

The Committee shall:

12.1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;

- 12.2. be provided with appropriate and timely training, both in the form of an induction programme for new members, and on an on-going basis for all members; and
- 12.3. arrange for periodic review of its own performance and, at least annually, review its Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.