



**Metro Bank PLC**

**Risk Oversight Committee**

**Terms of Reference**

**Revision history:**

<b>Considered by the Risk Oversight Committee</b>	<b>22 May 2023</b>
<b>Approved by the Board</b>	<b>25 July 2023</b>

# **METRO BANK PLC**

## **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 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”), with Terms of Reference as set out below.

### **2. Purpose**

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

### **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 Metro Bank plc 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. Authority**

The Board authorises the Committee to:

- 9.1 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;
- 9.2 ensure that an appropriate liaison is maintained with the Bank Audit Committee and the Executive Risk and Asset and Liability Committees;
- 9.3 seek any information it requires from any director or employee of the Bank 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 Bank documents;
- 9.4 collectively and individually have direct access to the CFO, CEO, CRO, Chief Internal Auditor and the External Auditors;
- 9.5 obtain at the Bank's expense appropriate external professional advice and, if necessary, invite external advisers with relevant experience to attend meetings of the Committee;
- 9.6 delegate any of its duties as appropriate to such persons or person as it thinks fit;
- 9.7 form sub-committees from its membership to address specific aspects of its duties; and
- 9.8 be the designated committee of the Board for the purpose of model oversight.

## **10. Duties**

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

- 10.1 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;

- 10.2 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;
- 10.3 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;
- 10.4 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;
- 10.5 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;
- 10.6 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;
- 10.7 Review and challenge the Recovery Plan and Resolvability Assessments and make a recommendation to the Board for approval;
- 10.8 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;
- 10.9 In relation to risk assessment and subject to overlap with the Bank 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 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; and
- 10.10 Ensure that risk management is properly considered in Board decisions;
- 10.11 Ensure appropriate escalation of risks and reports to the Board;
- 10.12 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 Bank, and taking independent external advice where appropriate and available;
- 10.13 Review all material adverse crystallisation of risks, including those involving breaches of the Bank's procedures and oversight of root cause analysis;

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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 Bank operates" – in practice ROC carries out the review of the effectiveness of risk management systems.

- 10.14 Have oversight of model governance through review of the Model Governance Management Framework and quarterly updates on the output from the Model Oversight Committee;
- 10.15 Have oversight of capital planning as required by the Board<sup>2</sup>;
- 10.16 Have oversight of the Bank's implementation of and compliance with the Senior Managers and Certification Regime;
- 10.17 Review the Bank's capability to identify and manage new risk types in conjunction with the Audit Committee;
- 10.18 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;
- 10.19 Ensure that relevant disclosures are given in the financial statements as to the Bank's risk management and strategy in relation to financial instruments;
- 10.20 Review the reporting of key risks in the financial statements , ensuring it is consistent with the internal reporting of key risks;
- 10.21 Have oversight of the Bank's ability to prevent and detect Fraud;
- 10.22 Review the Bank's systems and controls for the prevention of bribery and receive reports on non-compliance<sup>3</sup>;
- 10.23 Review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Bank's anti-money laundering systems and controls;
- 10.24 Recommend to the Board the appointment and/or removal of the CRO;
- 10.25 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;
- 10.26 Promptly review reports on any material breaches of risk limits and the adequacy of proposed action;
- 10.27 Ensure that the CRO shall be given the right of unfettered direct access to the Board Chair and to the Committee;
- 10.28 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 with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions;
- 10.29 Consider any other matters requested by the Board from time to time;
- 10.30 Work and liaise as necessary with all other Board and Group Board committees;
- 10.31 Reviewing the effectiveness of the framework for managing and reporting the financial risks from climate change;
- 10.32 Receive regular updates on risk management from colleagues in the First Line of Defence as deemed necessary by the CRO;

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<sup>2</sup> The Board has overall responsibility for the Bank'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.

10.33 Review material incidents and operational risk losses and near misses following review by the ERC as specified in the ERMF.

## **11. Reporting**

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

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 a report of its activities and the Bank's risk management and strategy to be included in the Bank's financial statements.

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

## **12. Other Matters**

The Committee shall:

12.1 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;

12.2 ensure that it is provided with sufficient resources to undertake its duties, including access to the Company Secretariat function for assistance as required;

12.3 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; and

12.4 give due consideration to laws, regulations, and any other applicable rules, as appropriate; and oversee any investigation of activities which are within its Terms of Reference.

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