

Risk committee – Terms of reference

Applicable to our regulated entities¹ and to Nucleus Financial Platforms Limited (as a) the UK parent entity of our FCA investment firm group² and b) the UK parent entity of other group subsidiaries below it) and its subsidiary undertakings (together the "Group").

The risk committee should carry out its duties for the Group as a whole (as appropriate) (8)

Adopted by resolution of the directors passed on 30 November 2022

¹ IPS Pensions Limited, James Hay Administration Company Limited, James Hay Wrap Managers Limited, Nucleus Financial Services Limited and The IPS Partnership plc

² Nucleus Financial Platforms Limited, James Hay Holdings Limited, IFG UK Group Holdings Limited, Nucleus Financial Limited, James Hay Wrap Managers Limited, Nucleus Financial Services Limited and James Hay Partnership Management Limited

Risk committee - Terms of Reference

1. Introduction

The principal purpose of the risk committee and purposes of these terms of reference are:

- 1.1 to give additional assurance regarding the board's approach to the Group risk management framework;
- 1.2 to maximise the efficiency and effectiveness of the Group's three lines of defence; and
- 1.3 to assist the Board in fulfilling its oversight responsibilities for the Group, specifically in relation to monitoring the effectiveness of our business risk management processes, operating within board risk appetite and compliance.

2. Membership

- 2.1 The risk committee (the "**Committee**") shall be appointed by the Group's board of directors (the "**Board**"), on the recommendation of the nomination committee in consultation with the Committee chair and with the consent of Plutus Topco Limited as provided for under the Operating Agreement dated 21 September 2022 between Plutus Topco Limited and Nucleus Financial Platforms Limited). The Committee shall be made up of at least two non-executive directors (one of whom shall be the audit committee chair and the other independent) and at least 50% of Committee members shall not perform an executive function.
- 2.2 Committee members must have the appropriate knowledge, skills and expertise to understand, manage and monitor the Group's risk management framework.
- 2.3 The Committee chair shall be appointed by the Board, subject to the consent of Plutus Topco Limited. 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.
- 2.4 The company secretary or their nominee shall be 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 issues.

3. Attendance at meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings.
- 3.2 Other individuals such as the chief executive officer, the chief risk officer and the chief finance officer are expected to attend meetings. Other executives and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 3.3 The quorum necessary for the transaction of business at a Committee meeting shall be two members. A duly convened Committee meeting 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.

4. Frequency and format of meetings

- 4.1 The Committee shall meet as often as circumstances dictate, but at least four times a year and at appropriate times in the Company's reporting cycle and otherwise as required. The chair and any Committee member may request a meeting if they consider that one is necessary or expedient.

- 4.2 Outside of the formal meeting programme, the Committee chair will maintain a dialogue as necessary with key individuals involved in the Group's governance, including the chair of the Board, the chief executive, risk and finance officers, the heads of risk and compliance and the company secretary.
- 4.3 A timetable of business is established once per year.

5. Notice of meetings

- 5.1 Committee meetings shall be called by the secretary at the request of the chair or by a Committee member, the chief executive or chief risk officer as appropriate or at the request of the internal auditor if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each Committee meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Committee member, any other person required to attend and all other non-executive directors and to each Institutional Director (with the meaning given to it in the Operating Agreement) and Plutus Topco Limited, no later than five working days before the date of the meeting or as soon as practicable. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.
- 6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Draft minutes of Committee meetings shall be circulated promptly to all Committee members, each Institutional Director and Plutus Topco Limited and, once agreed, minutes may, on request by the Board, be tabled at subsequent Board meetings.

7. Authority

- 7.1 The Committee is authorised by the Board to investigate any matter within its terms of reference and to seek any information it requires from any Group employee in order to perform its duties. All employees are directed to co-operate (if required, on a confidential basis) with any request made by the Committee;
- 7.2 The Committee is authorised by the Board, within the budget set by the Board, to obtain outside consultancy, legal, accounting or other independent professional advice at the cost of the Group.
- 7.3 The Committee's terms of reference may be amended as required, subject to the approval of the Board and the consent of Plutus Topco Limited.

8. Duties

The Committee is a sub-committee of the Board and acts to assist the Board in fulfilling its oversight responsibilities of the Group. The specific duties of the Committee shall be those set out in paragraphs 9 to 13 and shall be carried out for the Group as a whole, as appropriate

9. Risk management

- 9.1 The Committee shall in furtherance of the successful implementation of our strategy and effective risk management for the long term and with due regard to regulatory requirements and the Operating Agreement:
Overall risk strategy, monitoring and assessment

- 9.1.1 review and recommend to the Board for approval, the risk management framework for the Group including risk appetites, tolerances and KPIs.
- 9.1.2 review and advise the Board on the Group's current and future overall risk exposure, appetite, tolerance and strategy and assist the Board in overseeing the implementation of that strategy within its approved risk management framework;
- 9.1.3 in relation to risk monitoring and assessment:
 - (i) keep under review the Group's overall risk assessment processes and methodology that inform the Board's decision making, ensuring that both qualitative and quantitative metrics are used;
 - (ii) review regularly the Group's capability to identify, monitor and manage its principal risks as well as any new and emerging risks with reference to the corporate risk matrix, risk watch list and accepted risk register and to advise the Board accordingly;
 - (iii) review and approve disclosures in relation to principal risks in group company financial statements (as appropriate);
 - (iv) review any reports on any material breaches of risk appetite limits and the adequacy of any proposed remedial action;
 - (v) keep under review the effectiveness of the Group's risk management systems; and
 - (vi) review any reports from the internal or external auditors on the Group's risk management framework.
- 9.1.4 In respect of Group regulatory capital management, review and recommend to the Board and the board of Nucleus Financial Platforms Limited (as appropriate) for approval:
 - (i) the annual ICARA programme and calendar and associated inputs;
 - (ii) the quarterly reassessment of regulatory capital requirements;
 - (iii) the annual ICARA approach and methodology; and
 - (iv) the annual ICARA report regulatory capital requirements

Risk and remuneration

- 9.1.5 in order to assist in the establishment of sound remuneration policies and practices, without prejudice to the remit of the remuneration committee, examine whether there are any risks or capital that need to be noted by the remuneration committee in its determination of incentives provided by the remuneration system.

Risk and compliance functions

- 9.1.6 consider and approve the remit of the Group's risk and compliance management functions and ensure that they have:
 - (i) adequate independence (and are free from management and other restrictions); and
 - (ii) adequate resources and appropriate access to information to enable them to perform their function effectively;
- 9.1.7 review promptly all reports on the Group from risk and compliance;
- 9.1.8 review and monitor management's responsiveness to the findings and recommendations of risk and compliance; and
- 9.1.9 ensure that the chief risk officer has a right of unfettered direct access to the chair of the Board and to the chair of the Committee.
- 9.1.10 review the annual financial crime report and risk assessment.

10. Internal controls

The Committee shall:

- 10.1 keep under review the effectiveness of the Company's internal control systems including controls over material outsourced operations;
- 10.2 review any identified control weaknesses and failures, and communication and remediation thereof;
- 10.3 ensure the accountability of management for internal control by communicating the importance of internal controls and management of risk; and
- 10.4 annually formulate a recommendation to the audit committee (prior to the review of group company financial statements) and the board on the effectiveness of the internal control environment.

11. Line 1 – Legal and operations

The Committee shall:

- 11.1 Review group outsourcing reports.
- 11.2 Review the Group claims and litigation report.
- 11.3 Review any other first line reports it sees fit to effectively discharge its responsibilities.

12. Group policies

The Committee shall:

- 12.1 review and approve the Group policy framework.
- 12.2 review and approve corporate policies in accordance with the Group policy framework.
- 12.3 review annually the Group conflicts of interest register in accordance with the conflict of interest policy.

13. Reporting procedures

- 13.1 The Committee chair shall report formally to the Board on proceedings of the Committee after each meeting and on all matters within its duties and responsibilities.
- 13.2 The Committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

14. Other matters

The Committee shall:

- 14.1 review and approve the overall levels of insurance for the Group including directors' and officers' liability insurance and indemnification of directors, for recommendation to the Board;
- 14.2 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 14.3 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. Committee members are encouraged to enhance their familiarity with risk management and information systems by participating in educational programmes arranged by the Group;

- 14.4 give due consideration to the FCA Handbook Rules and any other laws and regulations and associated guidance (so far as is considered relevant and applicable to the Group);
- 14.5 support the chair of the audit committee in respect of his/her responsibility for the oversight of the co-ordination of the internal auditors in respect of the internal audit plan;
- 14.6 work and liaise as necessary with all other board committees; and
- 14.7 periodically review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.