

Scottish National Investment Bank plc

Terms of Reference for the Risk Management and Conflicts Committee

1 Purpose

The primary purpose of the Risk Management and Conflicts Committee (the "**Committee**") of the Scottish National Investment Bank plc (the "**Bank**") is to support the board of directors of the Bank (the "**Board**") in relation to the effectiveness and robustness of the Bank's risk management systems and processes.

2 Role

- 2.1 The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing, approving and monitoring:
 - 2.1.1 the Bank's attitude to and appetite for risk;
 - 2.1.2 the Bank's risk management infrastructure and systems;
 - 2.1.3 how risks are reported both internally and externally, together with the format and frequency of reporting;
 - 2.1.4 how risks are assessed and quantified;
 - 2.1.5 risk policies and risk limits;
 - 2.1.6 how conflicts of interest are managed; and
 - 2.1.7 the processes for compliance with laws, regulations and codes of practice and prevention of fraud.

3 Membership

- 3.1 The Committee shall comprise three members. Each Committee member shall be an independent non-executive director and shall have appropriate knowledge, skills and expertise to fully understand risk appetite and strategy and conflicts of interest.
- 3.2 Members of the Committee shall be appointed by the Chair of the Board, in consultation with the Chair of the Committee (the "**Committee Chair**").
- 3.3 The Chair of the Board shall not be a Committee member but may be invited to attend its meetings.
- 3.4 Appointments to the Committee shall be for a period of up to three years, which may be extended, provided the director still meets the criteria for membership of the Committee.

The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

4. Secretary

The Bank's General Counsel (who shall also be the company secretary) (the

"**Company Secretary**"), or his or her 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 of the relevant issues.

5 Quorum

The quorum necessary for the transaction of business at a Committee meeting shall be two, one of whom must be the Committee Chair or nominated deputy chair who will be appointed by the Chair and will be one of the Members of the Committee.

6 Meetings

- 6.1 The Committee shall meet at least four times a year, including at an appropriate time in the Bank's financial reporting and audit cycle to consider risk disclosures in the annual report and accounts.
- 6.2 Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Committee Chair shall have a second or casting vote.
- 6.3 Only Committee members have the right to attend and vote at Committee meetings. The Committee Chair shall have the discretion to decide who, other than the Committee members, shall attend and address Committee meetings.
- 6.4 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.5 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.
- 6.6 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

7 Notice of meetings

- 7.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members.
- 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 working days before the date of the meeting.

8 Minutes of meetings

- 8.1 The 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 within three weeks to all members of the Committee.

- 8.3 Final signed copies of the minutes of the meetings of the Committee shall be maintained for the Bank's records.

9 Annual general meeting

- 9.1 The Committee Chair should attend the annual general meeting of the Bank to respond to questions from the shareholder on the Committee's activities.

10 Duties

The Committee shall:

- 10.1 Review the Bank's overall risk appetite;
- 10.2 Review performance against risk appetite and monitor key risk trends;
- 10.3 Review the overall market, portfolio, credit, concentration, investment, operational, legal, regulatory, financial crime and strategic & business model risk exposures of the Bank with reference to limits and metrics;
- 10.4 Give consideration to the profile of risk and return in the context of the financial performance of the Bank;
- 10.5 Oversee and advise the Board on the current risk exposures of the Bank and future risk strategy;
- 10.6 Review and approve the Bank's policies and risk limits in relation to its principal risks and review and approve annually the Risk Management Framework;
- 10.7 Evaluate the Bank's governance, risk and control framework to satisfy itself as to the design and completeness of the framework relative to the Bank's activities and risk profile. In performing this assessment, the committee shall:
- (a) propose to the Board principles and policies which support the Bank's overall risk appetite, including the Risk Management Framework; and
 - (b) advise the Board on the Bank's preparedness in terms of adhering to best practice risk management policies and procedures to ensure appropriate limits, controls and governance are in place for controlling all aspects of risk including reputational risks.
- 10.8 Review the Bank's capability to identify and manage new risk types;
- 10.9 Review reports on any material breaches of risk limits and the adequacy of proposed action;
- 10.10 Approve the statements to be included in the annual report concerning principal risks, internal risk controls and risk management;
- 10.11 Review the Company's systems and controls for the prevention of bribery and modern slavery;
- 10.12 Review and approve the annual Money Laundering Reporting Officer's report;

- 10.13 Annually review the Bank's procedures for detecting fraud;
- 10.14 Ensure that the Bank has in place adequate IT infrastructure, policies and procedures to identify and mitigate the risk of cyber crime;
- 10.15 Ensure that there exist adequate processes and procedures to enable the Bank to comply with freedom of information legislation and requests made to the Bank under such legislation;
- 10.16 Keep under review the adequacy and effectiveness of the Bank's compliance capabilities within the compliance function;
- 10.17 Oversee the implementation of the processes to support the Bank's compliance with the terms of the European Commission's State aid approval, if necessary;
- 10.18 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;
- 10.19 Ensure that the Bank's organizational structure allows for independence in risk identification, assessment and reporting;
- 10.20 Review the reports of internal and external auditors that have implications for risk management and relevant internal controls;
- 10.21 Without prejudice to the Board's approach to directors' declarations of conflicts of interest, review the Bank's internal conflicts of interest policy and audit how conflicts of interest are managed;
- 10.22 Act on behalf of the Board to make decisions with regard to issues where significant conflicts of interest exist which prevent other committees or the Board from making those decisions. These decisions are those which would raise significant conflict of interest issues and will be specifically delegated by the Board as and when they arise;
- 10.23 Review any breaches of transactional delegation of authority limits given to the Bank by the Shareholder and proposed remedial action;
- 10.24 Review and approve any proposed guarantees to be given by the Bank or any of its subsidiaries;
- 10.25 Oversee the management and mitigation of operational risks in the investment processes and the financial reporting processes and internal controls and ensure a process is in place enabling the Bank to maintain adequate and effective internal controls and systems;
- 10.26 Review any proposed new products or investment structures from the perspective of risk mitigation;
- 10.27 Review the Bank's "know your client" processes and procedures and processes for the prevention of money laundering;

- 10.28 Review the pay and reward framework to ensure that it supports the effective operation of the Bank;
- 10.29 Review reports from the other committees of the Board if changes to processes or procedures are proposed;
- 10.30 Approve the internal audit plan as it relates to the Bank's risk priorities;
- 10.31 Be responsible for the Bank's Whistleblowing policy and ensuring that processes and procedures are in place to allow members of staff to raise concerns.

11 Reporting responsibilities

- 11.1 The Committee Chair shall report to the Board on its proceedings 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 annual report.
- 11.4 The directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.
- 11.5 The Committee, through its Chair, will report to the Board matters that should be brought to the attention of the Board including instances where the Committee has been unable to reach full agreement, together with any recommendations which require Board approval or action.

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 secretary 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 ongoing basis for all members;
- 12.3 Give due consideration to laws and regulations, including the provisions of the UK Corporate Governance Code;
- 12.4 Oversee any investigation of activities which are within its terms of reference; and
- 12.5 Arrange for periodic reviews of its own performance and, at least annually, review 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.

13 Authority

The Committee is authorised:

- 13.1 To seek any information it requires from any employee/director of the Bank in order to perform its duties;
- 13.2 To obtain, at the Bank's expense, external legal or other professional advice on any matter within its terms of reference where required; and
- 13.3 To request the attendance of any employee at a meeting of the Committee as and when required.

These Terms of Reference became effective on **24 May 2021**