

CAB PAYMENTS HOLDINGS PLC (“CPH”)

and

CROWN AGENTS BANK LIMITED (“CAB”)

(the “Companies”)

TERMS OF REFERENCE FOR THE JOINT RISK COMMITTEE

(approved by the Boards of Directors of CPH and CAB on 27 November 2023)

1. APPLICATION

- 1.1 A committee of the respective Boards of each of CPH and CAB shall be established by resolutions of the respective Boards, to be known as the Risk Committee (or, the **Committee**). The Risk Committee shall sit jointly in respect of CPH and CAB, save in circumstances where it would be inappropriate to do so. These circumstances include, without limitation, where there is a potential conflict of interest between CPH and CAB.
- 1.2 Where a joint meeting of the Risk Committee takes place, these Terms of Reference shall apply. Where the Risk Committee of CPH or CAB sits separately, these Terms of Reference shall apply save where, due to legal or other reasons considered appropriate by the members, they cannot or should not apply.
- 1.3 For the purpose of these Terms of Reference the term ‘Board’ shall mean, when the Risk Committee is sitting as a joint Risk Committee, the Boards of each of CPH and CAB. Where the Risk Committee is sitting as either a Risk Committee of CPH or CAB individually then it shall mean the relevant Board of CPH or CAB only. CPH and its subsidiaries shall together mean, the **Group**.

2. MEMBERSHIP

- 2.1 The Risk Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chair of the Risk Committee, in accordance with the each of the Companies’ articles of association.
- 2.2 The Risk Committee shall be a standalone committee, distinct from the Audit Committee.
- 2.3 All members of the Risk Committee shall be independent non-executive directors. The Risk Committee shall consist of a minimum of three members, of which one member shall be the chair of the Audit Committee. The Risk Committee must include members who have knowledge and experience with regard to risk management issues and practices as well as the UK bank regulatory and prudential regime. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.
- 2.4 The chair of the Risk Committee shall be appointed by the respective boards of CPH and CAB on the recommendation of the Nomination Committee and shall be an independent non-executive director from among the members of the Risk Committee. In the absence of the chair of the Risk Committee (and/or an appointed alternate member), the members present at any meeting of the

Risk Committee shall elect one of their number to chair the meeting. In deciding chairship and membership of the Risk Committee, the value of ensuring that committee membership is refreshed, and that undue reliance is not placed on particular individuals shall be taken into account.

- 2.5 The chair and members of the Risk Committee shall be listed each year in CPH's annual report and in CAB's annual report respectively.
- 2.6 If any member of the Risk Committee is unable to act for any reason, subject to paragraph 6, the chair of the Risk Committee may appoint another independent non-executive director of the Companies (agreed by the other members of the Risk Committee) to act as that member's alternate.
- 2.7 The Company Secretary or his or her nominee shall be the secretary of the Risk Committee and shall attend all of its meetings. The Secretary shall ensure that the Risk Committee (and invitees as appropriate) receive information and papers in a timely manner to enable full and proper consideration be given to issues.
- 2.8 Each member of the Risk Committee shall disclose to the committee:

any personal financial interest (other than as a shareholder) in any matter to be decided by the Risk Committee; or

any potential conflict of interest arising from a cross-directorship.
- 2.9 Any such member shall abstain from voting on resolutions of the Risk Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and, if so requested by the Board, shall resign from the Risk Committee.

3. MEETINGS

- 3.1 The Risk Committee shall meet at least four times a year and otherwise as the chair of the Risk Committee shall require.
- 3.2 No one other than the chair and members of the Risk Committee is entitled to be present and vote at a meeting of the Risk Committee. It should also be noted that meetings of the Risk Committee may be validly conducted when the members are physically present together or in the form of video or audio conference (or any such combination), provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting or are able to receive communications from each of the other committee members participating in such meeting. The chair and members of the Risk Committee shall, however, have the discretion to decide if other individuals may be invited to attend for all or part of any meeting, as and when appropriate. In particular, the chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Legal Officer, and the head of internal audit may be invited to attend and address meetings of the Risk Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary. Individuals in attendance at any meeting of the Risk Committee by invitation may participate in discussions but do not form part of the quorum.
- 3.3 The quorum for meetings of the Risk Committee shall be two members present throughout the meeting. A duly convened meeting of the Risk 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 Risk Committee.

- 3.4 Meetings of the Risk Committee shall be called by the Secretary of the Risk Committee at the request of any member or at the request of the Chief Risk Officer if he or she considers it necessary.
- 3.5 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, where appropriate, shall be forwarded to each member of the Risk Committee and any person invited to attend no later than five working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Risk Committee to all members of it and to arrange such meetings so that members are able to attend them.
- 3.6 A member of the Risk Committee may participate in committee meetings by telephone.
- 3.7 Decisions of the Risk Committee will be made by majority vote. In the event of an equality of votes, except where he or she has a personal interest, the chair of the Risk Committee shall have a casting vote.
- 3.8 The Secretary of the Risk Committee shall prepare minutes of the proceedings of all meetings of the Risk Committee, including the names of those present and in attendance, and, after approval and signature by the chair of the Risk Committee, shall circulate the minutes to all members of the Risk Committee and to the chair of the Board. Once agreed, unless a conflict of interest exists, the minutes of the meeting will be made available to all other members of the Board.
- 3.9 At the beginning of each meeting, each member of the Risk Committee shall declare the existence of any conflicts of interest and the secretary shall minute them accordingly.
- 3.10 In relation to CPH, the chair of the Risk Committee shall be available to answer questions about the committee's activities at the annual general meeting of CPH. All members of the Risk Committee shall also attend the annual general meeting.

4. DUTIES

- 4.1 The Risk Committee should carry out the duties set out below for CPH (and, where specified, CAB) and the Group.
- 4.2 The Committee members must act in accordance with the Directors' Duties as set out in sections 171 – 177 of the Companies Act 2006 (**Act**) when discharging their obligations as set out in these Terms of Reference.

5. RISK APPETITE, TOLERANCE, AND STRATEGY

- 5.1 The Risk Committee shall:
- (a) advise the Board (which shall retain overall responsibility for risk management) on the overall risk appetite, tolerance and strategy, and the principal and emerging risks the Group is willing to take in order to achieve its long-term strategic objectives;
 - (b) seek assurance on the risks the Companies identify as those to which the business may be exposed;
 - (c) advise the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact; and

- (d) advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Group, and taking independent external advice where appropriate and available.

5.2 Additionally, in relation to CAB:

- (a) review the adequacy and effectiveness of the Enterprise Risk Management Framework (**ERMF**). Consider and recommend any changes to the Board;
- (b) consider and recommend for approval by the Board of the Risk Appetite Statements and Tolerance Limits (**RAS&TL**);
- (c) oversee management's implementation of the ERMF and the embedding of risk appetite, including risk culture and conduct; and
- (d) review and approval of the Level 1 Risk Policies, as delegated by the Board.

6. INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

6.1 The Risk Committee shall:

- (a) in relation to CPH, assist the Board in fulfilling its reporting responsibilities in the annual report by: (i) monitoring and reviewing the effectiveness of the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
 - (i) reviewing the Group's procedures to manage or mitigate principal risks and to identify emerging risks, and to assist in the Board's assessment of principal and emerging risks;
 - (ii) reviewing and assessing the Group's risk appetite and associated stress testing;
 - (iii) evaluating the Group's principal risks, to be taken into account by the Board when assessing the Group's prospects;
 - (iv) reviewing and recommending to the Audit Committee matters for inclusion in the internal audit plan; and
 - (v) reviewing and approving the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.
- (b) in relation to CAB, receiving and reviewing reports from 1st and 2nd lines of defence on key risks and regulatory developments affecting CAB, and reviewing reports on the adequacy and effectiveness of the AML and financial crime systems and controls.
- (c) oversee and seek suitable assurance regarding:
 - (i) the risk exposures of the Group, including risk to the Group's business models, and solvency and liquidity risks;

- (ii) the adequacy and effectiveness of the Group's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems;
- (iii) the ability of the Group's risk management and internal control systems to identify the risks facing the Group and enable a robust assessment of principal risks;
- (iv) the Group's capability to identify and manage new and emerging risks;
- (v) the effectiveness and relative costs and benefit of particular controls;
- (vi) the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary;
- (vii) the Group's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise;
- (viii) the appropriateness of the Group's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Group; and
- (ix) the Chief Risk Officer's right of direct access to the chair of the Board and to the Risk Committee.

7. COMPLIANCE, SPEAKING-UP AND FRAUD

7.1 The Risk Committee shall:

- (a) review the adequacy and security of the Group's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall establish and maintain a 'Whistleblowing Champion' who shall oversee all matters around whistleblowing are dealt with in the appropriate manner, as well as report to the Committee at least [annually] on matters surrounding whistleblowing. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Group's procedures for detecting fraud and receive from the executive officers a report of all significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or employees who have a significant role in the Group internal controls;
- (c) review regular reports from the Money Laundering Reporting Officer on the adequacy and effectiveness of the Group's anti-money laundering systems and controls;
- (d) review the Group's systems, controls and policies for the prevention of bribery, corruption, money laundering and modern slavery and receive reports on non-compliance; and
- (e) review regular compliance reports from the Group's finance and legal teams and keep under review the adequacy and effectiveness of the Group's compliance function.

7.2 The Risk Committee shall work and liaise with the other committees of the Board, as may be necessary or desirable, in order to fulfil its duties.

7.3 The Risk Committee is authorised by the Board to investigate any activity within the scope of its duties.

8. REPORTING RESPONSIBILITIES

8.1 The reporting responsibilities of the Risk Committee shall be:

- (a) to assist with the review of the Board's viability statement;
- (b) to assist the Board by preparing a statement for inclusion in the annual report describing the roles and responsibilities of the Risk Committee and actions taken by the committee to discharge those responsibilities; as well as describing how the Risk Committee composition requirements have been addressed and listing the names and qualifications of all members of the committee, the number of committee meetings and attendance by each member; and
- (c) any other issues on which the Board has requested the Risk Committee's opinion.

- 8.2 The chair of the Risk Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report formally to the Board on how the committee has discharged its responsibilities. This report shall include any issues on which the Board has requested the Risk Committee's opinion.
- 8.3 The Risk Committee shall compile a report of its activities to be included in the Group's annual report.
- 8.4 In compiling its reports to the Board and to be included in the annual report of CPH, the Risk Committee should exercise judgement in deciding which of the issues it considers are significant but should include at least the inputs to the Board viability statement and the statement on corporate governance arrangements.
- 8.5 The Risk Committee shall review, and accordingly advise the Remuneration Committee on performance and incentive structures, ensuring that relevant risk factors are taken into consideration. The Risk Committee shall provide advice to the remuneration committee on any risk weightings to be applied to performance objectives incorporated in the incentive structure for executive remuneration and make recommendations to the Remuneration Committee on clawback provisions.
- 8.6 The Risk Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. Where there is disagreement between the Risk Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreement cannot be resolved, the Risk Committee shall have the right to report the issue to the shareholders as part of the report on its activities to shareholders.

9. PERFORMANCE, RESOURCES AND TRAINING

- 9.1 The Risk Committee shall also:
- (a) make available these terms of reference, explaining the role and the authority delegated to it by the Board, by including the information on the Group's website;
 - (b) have access to sufficient resources to carry out its duties, including access to the Company Secretary for assistance as required;
 - (c) consider other topics, as defined by the respective Board;
 - (d) 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;
 - (e) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules, the FCA and PRA guidelines on risk management, and any other applicable laws and guidance, as appropriate;
 - (f) in the context of wider Group transactions, give due consideration to any local laws and regulations that may impact and/or govern Group subsidiaries; for example, local legal laws that may govern, or partially govern, international transactions;
 - (g) ensure that each of CPH and CAB allocate adequate resources to risk management;

- (h) in the event of any investigation relating to any item contained within these Terms of Reference, to oversee such an investigation; and
- (i) work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of responsibilities being delegated to different committees.

9.2 The Risk Committee shall review periodically its own performance, and review annually 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.

9.3 The Risk Committee is authorised by the Board to obtain outside legal, accounting, or other independent professional advice on any matter within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise to meetings, if it reasonably considers this necessary, at the respective Company's expense (subject to any budgetary restraints imposed by the Board).

9.4 The Risk Committee is authorised to seek any information it requires from any staff of the Group in order to perform its duties and to request the attendance of any staff at any meetings of the Risk Committee in respect of such information.

10. CAPITAL AND LIQUIDITY

10.1 The Risk Committee shall consider and recommend for approval to CAB's board, the material regulatory submissions and returns following review by management (including the ICAAP, ILAAP, Funding Plan and Recovery Plan).

11. GENERAL OVERSIGHT

11.1 The Risk Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for major subsidiary undertakings and the Group as a whole, as appropriate.

11.2 The Risk Committee provides oversight and advice to the Board on matters relating to risk and compliance. This includes oversight and challenge of the:

- (a) current and potential risk exposures and the RAS&TL;
- (b) effectiveness of the ERMF and supporting risk systems and controls;
- (c) Board promotion of a culture of risk awareness and good conduct throughout the organisation; and
- (d) such matters as it may think necessary or desirable, including the financial risk of climate change, third party risk management, operational resilience and cyber security.

12. AUTHORITY

12.1 The Risk Committee is authorised to:

- (a) investigate any activity within its terms of reference;

- (b) seek any information it requires from any employee of the Companies in order to perform its duties;
- (c) delegate to any subcommittees of the Risk Committee any responsibilities of the full committee and to officers of the Companies such responsibilities of the full committee, in each case to the extent permitted by applicable laws, rules or regulations;
- (d) obtain, at the Companies' expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so in accordance with the Group's Guidelines for Independent Professional Advice;
- (e) call any employee to be questioned at a meeting of the Risk Committee as and when required;
- (f) publish in CPH's annual report, details of any issues that cannot be resolved between the Risk Committee and the Board; and
- (g) although the Risk Committee can seek the advice and assistance of the executive management, it must ensure that it is clearly separated from the executive management's role within the business.

Version History

Issue No	Version No	Issue Date	Summary of Changes
1	1.0	28.07.2023	Initial Document
2	1.1	27.11.2023 (LM)	Amendments to Initial Document as discussed at the Committee meeting held 28 th July 2023