

SANTANDER UK GROUP HOLDINGS PLC

BOARD RISK COMMITTEE

TERMS OF REFERENCE

1. SCOPE

The Santander UK Group Holdings plc (the “Company”) Board Risk Committee (the “Committee”) is a committee of the Board of Directors (the “Board”), the purpose of which is to review, oversee, advise and support the Board on the Company's internal control and risk management systems.

The Committee is concerned with the business of the entire UK Group and its authority extends to all matters relating to its responsibilities below for the Company, Santander UK plc, their major subsidiaries and the UK group as a whole, as appropriate (together the “UK group”).

In the event of any perceived overlap between the Committee and the Board Audit Committee, the committee chairs shall between them agree the most appropriate committee to consider the matter. Any matter covered in the terms of reference of either committee shall be deemed to have been duly addressed if it is satisfied by either this Committee or the Board Audit Committee.

With regard to Culture and Operational risks relating to Conduct, Compliance, Competition, Financial Crime and Legal matters (together, “Conduct and Compliance Risk”), the role of the Committee is to set the risk framework and risk appetite within which the business operates and to receive and consider reports from the Board Responsible Banking Committee on Conduct and Compliance Risk matters raised for its attention.

1.1. AUTHORITY

The Committee is a Committee of the Board of Directors of the Company constituted in accordance with the Company's Articles of Association.

The Committee may delegate all or any of its responsibilities to a sub-committee including one established solely for that purpose.

1.2. RESPONSIBILITIES

The Committee shall:

- 1.2.1 Advise the Board on the Company's enterprise-wide risk profile, risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic, market and financial environments;
- 1.2.2 Before a decision is taken to proceed by the Board, oversee, challenge and advise the Board on strategic or material 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 Company, and taking independent external advice where appropriate and available;

- 1.2.3 Recommend to the Board the appointment and/or removal of the Chief Risk Officer;
- 1.2.4 Consider and review all risks and issues escalated by the Chief Risk Officer, and their associated action plans;
- 1.2.5 Review the firm's enterprise-wide risk profile by way of business updates provided by the First Line of Defence¹:
 - 1.2.5a To include the effectiveness of internal controls and risk management systems
 - 1.2.5b To include management's response to the recommendations and reports of the Chief Risk Office; and
 - 1.2.5c At a frequency to be recommended by the Chief Risk Officer
- 1.2.6 Review the firm's enterprise-wide risk profile by way of regular reports and updates on each key risk type provided by the Second Line of Defence²:
 - 1.2.6a To include the effectiveness of internal controls and Risk Management systems
 - 1.2.6b At a frequency to be recommended by the Chief Risk Officer
- 1.2.7 Consider and approve the remit of the risk control units and review the adequacy of resources and access to information to enable them to perform their functions effectively. The Committee shall also review the independence of their functions;
- 1.2.8 Provide advice, oversight and challenge to embed and maintain a supportive risk culture throughout the Company;
- 1.2.9 Review and recommend for approval, a report of its activities and the Company's risk management and strategy to be included in the Company's annual report;
- 1.2.10 Review and recommend for approval, the statements to be included in the risk management sections of the annual and half yearly reports;
- 1.2.11 Have regard to relevant advice from the Board Audit Committee and Internal Audit Function concerning effectiveness of the Company's control framework;
- 1.2.12 Ensure the Chief Risk Officer is given the right of direct access to the Chair of the Board and to members of the Board Risk Committee;
- 1.2.13 Keep under review the company's overall risk assessment processes; and
- 1.2.14 Review regularly and approve the parameters used in these measures and the methodology adopted.

1.2.15 From a capital risk perspective, to recommend the approval of the declaration and payment of dividends by Santander UK plc and Santander UK Group Holdings plc.

Risk Framework and Risk Type Frameworks

1.2.16 Review at least annually, the Company's Risk Framework and recommend it to the Board for approval;

1.2.17 Review and approve the key Risk Type frameworks identified in the Santander UK Risk Framework:

- Banking Market;
- Capital;
- Conduct;
- Corporate & Commercial Credit;
- Financial Crime;
- Liquidity;
- Market;
- Model.
- Operational;
- Pension;
- Regulatory;
- Reputational;
- Retail Credit;
- Strategic; and
- Wholesale Credit.

1.2.18 Review and approve the Risk Activity frameworks identified in the Santander UK Risk Framework:

- Policy;
- Risk Appetite;
- Risk Data; and
- Stress Testing.

1.2.19 Review the Company's capability to identify and manage new risks and risk types;

1.2.20 Oversee and challenge:

1.2.20a the day-to-day risk management actions and oversight arrangements;

1.2.20b adherence to the Company's risk frameworks and policies;

1.2.21 Review the adequacy and effectiveness of the Company's compliance function based on outcomes from reports sent to the Committee by the Board Responsible Banking Committee;

Risk Appetite

- 1.2.22 Review proposals for the firm's Risk Appetite on at least an annual basis and recommend these to the Board for approval;
- 1.2.23 Review reports on any breaches of Risk Appetite and the adequacy of proposed action;
- 1.2.24 Approve temporary or non-material (as determined at the discretion of the Chair of the Board Risk Committee and highlighted in subsequent Board notifications) changes to Board Risk Appetite concentration limits. Any such change shall be reported promptly to the Board;
- 1.2.25 Delegate to the Chair of the Committee, authority to approve urgent material change requests to concentration limits in between Committee meetings, with all such material changes being reported to the members of the Committee and to the Board promptly;
- 1.2.26 Review and recommend to the Board for approval on at least an annual basis, the Company's Individual Liquidity Adequacy Assessment;
- 1.2.27 Review and recommend to the Board for approval on at least an annual basis, the Company's Individual Capital Adequacy Assessment; and
- 1.2.28 Oversee and challenge the design and execution of stress and scenario testing, including the PRA concurrent Stress Test.

Other Matters

1.2.29 The Committee shall:

- 1.2.29a Have access to sufficient resources in order to carry out its duties, including access to external advisers and Secretariat for assistance as required;
- 1.2.29b 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;
- 1.2.29c Give due consideration to laws and regulations, as appropriate;
- 1.2.29d Oversee any investigation of activities which are within its Terms of Reference; and
- 1.2.29e Ensure there is regular review of its performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary for approval by the Board.

2. MEMBERSHIP AND ATTENDANCE

CHAIR OF COMMITTEE

The Board shall appoint the Committee Chair who shall be an Independent Non-Executive Director. 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.

2.1. MEMBERSHIP

Members of the Committee shall be appointed by the Board on the recommendation of the Board Nomination Committee in consultation with the Chair of the Committee. The Committee shall be made up of at least three members, the majority of whom shall be Independent Non-Executive Directors and shall include the Chair of the Audit Committee.

Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the committee.

2.2. QUORUM

The quorum necessary for the transaction of business shall be two members. 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.

2.3. ATTENDEES

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, Chief Executive Officer, other Directors, the Heads of the Risk, Compliance, Legal, Finance and Internal Audit functions together with External Audit may be invited to attend all or part of any meeting as and when appropriate or necessary, at the discretion of the Committee Chair.

The Chief Risk Officer and the Chief Financial Officer shall be standing attendees.

The External Auditors may be invited to attend meetings of the Committee on a regular basis.

3. COMMITTEE MANAGEMENT

3.1. SECRETARY

The Secretary of the Committee shall be a member of the Secretariat agreed with the Committee Chair.

3.2. MEETINGS

NOTICES AND FREQUENCY OF MEETINGS

The Committee shall meet at least six times a year at appropriate times as determined by the Committee Chair and otherwise as required.

Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the Chief Risk Officer if he considers it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and, as appropriate, any other person required to attend, no later than five calendar days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

3.3. MINUTES AND REPORTING

The Secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee, once agreed by the Chair, and to all members of the Board unless it would be inappropriate to do so.

The Committee Chair shall report to the board on its proceedings after each meeting on matters within its duties and responsibilities.

4. ADVICE

The Committee is authorised to obtain any information it requires from any employee of the Company in order to perform its duties and, at the Company's expense, external legal or other professional advice on any matter within its Terms of Reference. The Committee may also require the attendance of any employee at a meeting of the Committee, as and when required.

5. VERSION CONTROL

5.1. CHANGES TO THE TERMS OF REFERENCE

These Terms of Reference shall be reviewed by the Committee at least once a year and any proposed amendments will be recommended to the Board for approval. Changes to the Terms of Reference must be approved by the Company's Board.

5.2. CHANGE HISTORY

Version 1	Approved by the Board on 29 November 2011
Version 2	Approved by the Board on 25 September 2012
Version 3	Approved by the Board on 21 May 2013
Version 4	Approved by the Board on 17 December 2013
Version 5	Approved by the Board on 25 February 2014
Version 6	Amendment approved by the Company Secretary on 25 August 2015
Version 7	Approved by the Board on 15 December 2015
Version 8	Approved by the Board on 22 April 2016

Version 9	Approved by the Board on 22 December 2016
Version 10	Approved on 26 June 2017
Version 11	Approved on 15 December 2017
Version 12	Approved by the Board on 30 November 2018