

**SANTANDER UK PLC**  
**(the Ring-Fenced Bank (“RFB”))**

**BOARD RISK COMMITTEE**

**(the “Committee”)**

**TERMS OF REFERENCE**

Approved by the Board of Directors of Santander UK plc (the “**Board**”) on 30 December 2019.

**1. AUTHORITY**

- 1.1 The Committee is a committee of the Board from which it derives its authority and to which it regularly reports.
- 1.2 The Committee may sub-delegate all or any of its responsibilities as it sees fit, including without limitation, to a sub-committee established for a specific purpose.
- 1.3 The Committee has authority to investigate any matter relating to the RFB, its subsidiaries and subsidiary undertakings (together the “RFB Sub-group”) within its Terms of Reference and to obtain such information as it may require from any Director, officer or employee of the RFB Sub-group or Santander UK Group Holdings plc (“HoldCo”) its subsidiaries and subsidiary undertakings (together the “HoldCo Group”).

**2. SCOPE**

- 2.1 The Committee is concerned with the oversight of the internal control and risk management systems of the RFB Sub-group.

**3. RESPONSIBILITIES**

The key responsibilities of the Committee are to:

- 3.1 Advise the Board on the RFB Sub-group’s overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic, market and financial environments.
- 3.2 Oversee, challenge and advise the Board, ahead of any decision taken to proceed, 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 RFB Sub-Group and HoldCo Group, and taking independent external advice where appropriate and available.
- 3.3 Recommend to the Board the appointment and/or removal of the Chief Risk Officer and the RFB Bank-Officer.
- 3.4 Validate the objectives and performance management assessment of the Chief Risk Officer, the Chief Legal & Regulatory Officer and the RFB Bank-Officer.
- 3.5 Consider and review all risks and issues escalated by the Chief Risk Officer and the RFB Bank-Officer, and their associated action plans.
- 3.6 Review the RFB Sub-group’s enterprise-wide risk profile by way of business updates provided by the First Line of Defence:
  - 3.6.1 To include the effectiveness of internal controls and risk management systems

- 3.6.2 To include management's response to the recommendations and reports of the Chief Risk Officer and the RFB Bank-Officer.
- 3.6.3 At a frequency to be recommended by the Chief Risk Officer and the RFB Bank-Officer.
- 3.7 Review the RFB Sub-group's enterprise-wide risk profile by way of regular reports and updates on each key risk type, to the extent applicable, provided by the Second Line of Defence:
  - 3.7.1 To include the effectiveness of internal controls and Risk Management systems.
  - 3.7.2 At a frequency to be recommended by the Chief Risk Officer and the RFB Bank-Officer.
- 3.8 Consider and approve the remit of the Risk Function and review its independence, the adequacy of resources and access to information to enable it to perform its function effectively.
- 3.9 Provide advice, oversight and challenge to embed and maintain a supportive risk culture throughout the RFB Sub-group.
- 3.10 Review and recommend for approval, the Board Risk Committee Report and other risk-related sections or statements contained within the annual report and accounts and half yearly report
- 3.11 Have regard to relevant advice from the Board Audit Committee and Internal Audit Function concerning effectiveness of the RFB Sub-group's control framework.
- 3.12 Ensure the Chief Risk Officer and RFB Bank-Officer are given the right of direct access to the Board and to members of the Committee, to the HoldCo board risk committee and the Banco Santander, S.A. group risk committee.
- 3.13 Keep under review the RFB Sub-group's overall risk assessment processes.
- 3.14 Review regularly and approve the parameters used in these measures and the methodology adopted.
- 3.15 From a capital risk perspective, to recommend the approval of the declaration and payment of dividends by the RFB.

### **Risk Framework and Risk Type Frameworks**

- 3.16 Review and approve specific risk frameworks as agreed from time to time.
- 3.17 Review and approve the Risk Activity frameworks identified in the RFB Sub-group's Risk Framework:
  - Risk Governance Documentation;
  - Risk Appetite; and
  - Stress Testing.
- 3.18 Review the RFB Sub-group's capability to identify and manage new risks and risk types.
- 3.19 Oversee and challenge:

- 3.19.1 the day-to-day risk management actions and oversight arrangements;
- 3.19.2 adherence to the RFB Sub-group's risk frameworks and policies;
- 3.20 Review the adequacy and effectiveness of the RFB Sub-group's Compliance function based on outcomes from reports sent to the Committee by the Board Responsible Banking Committee.

### **Risk Appetite**

- 3.21 Review proposals for the RFB Sub-group's Risk Appetite on at least an annual basis and recommend these to the Board for approval.
- 3.22 Review reports on any breaches of Risk Appetite and the adequacy of any proposed action.
- 3.23 Delegate to the Chair of the Committee, authority to approve urgent proposals to change risk appetite concentration limits in between Committee meetings, with all such material changes being reported to the members of the Committee and to the Board promptly.
- 3.24 Review and recommend to the Board regulatory submissions including, for approval on at least an annual basis, the RFB's Individual Liquidity Adequacy Assessment Process and Individual Capital Adequacy Assessment Process.
- 3.25 Oversee and challenge the design and execution of stress and scenario testing, including those required by regulators.

## **4 MEMBERS**

- 4.1 The Committee shall be made up of at least three members, all of whom shall be Independent Non-Executive Directors<sup>1</sup>. At least two members shall be RFB Double Independent<sup>2</sup> Non-Executive Directors.
- 4.2 Members of the Committee shall be appointed by the Board (upon recommendation of the Board Nomination Committee) and in consultation with the Committee Chair. Members of the Committee will have collectively appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities relevant to the alignment of the RFB Sub-group's remuneration arrangements with its risk and capital profiles.

## **5 ATTENDEES**

- 5.1 Only members of the Committee have the right to attend Committee meetings. Standing attendees will be the Board Chair, Chief Risk Officer, Chief Financial Officer and RFB Bank-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 Committee Chair retains the discretion to invite any other individual to attend for all or part of any meeting as presenter or observer (subject to any conflicts of interest).

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<sup>1</sup> INED has the meaning set out at section D.2.(ii) (B) of the UK Group Framework dated 5 December 2019.

<sup>2</sup> Double Independent Non-Executive Directors are those RFB INEDs that are a senior management function holder for the RFB and not also an employee or director of any other member of the RFB group other than an RFB affiliate.

## **6 CHAIR**

- 6.1 Upon recommendation of the Board Nomination Committee, the Board shall appoint the Committee Chair who shall be an Independent Non-Executive Director.
- 6.2 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.

## **7 QUORUM**

- 7.1 The quorum necessary for the transaction of business shall be two members one of whom must be a Double Independent Non-Executive Director. 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.

## **8 SECRETARY**

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

## **9 MINUTES**

- 9.1 The Committee Secretary shall minute the proceedings, which shall be circulated promptly to all members of the Committee, once agreed by the Committee Chair, and to all members of the Board (subject to any actual or potential conflicts of interest restricting such circulation).

## **10 NOTICE AND FREQUENCY OF MEETINGS**

- 10.1 The Committee shall meet at least four times a year at appropriate times as determined by the Committee Chair and otherwise as required. Meetings of the Committee and the HoldCo board risk committee may be held concurrently but the Committee shall hold at least two separate meetings each year to consider matters that relate to the RFB alone.
- 10.2 Meetings of the Committee shall be convened by the Committee Secretary at the request of the Committee Chair or any of its members.
- 10.3 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.

## **11 ADVICE**

- 11.1 The Committee is authorised to obtain any information it requires from any employee of the RFB Sub-group in order to perform its duties and, at the RFB's expense, obtain outside legal or other professional advice on any matter within its Terms of Reference. The Committee will ensure the proper involvement of control and other functions (e.g. HR and Legal) within their respective areas of expertise. The Committee is also authorised to select, appoint and set the terms of appointment for any external advisers to the Committee.

## **12. GENERAL MATTERS**

The Committee shall:

- 12.1 Have access to sufficient resources to carry out its duties, including access to external advisers and Secretariat 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, as appropriate.
- 12.4 Oversee any investigation of activities which are within its Terms of Reference

### **13 REPORTING RESPONSIBILITIES**

- 13.1 The Committee Chair (or their elected nominee) shall report to the Board on the Committee's proceedings after each meeting.
- 13.2 The Committee shall where appropriate make recommendations to the Board on any area within its remit.
- 13.3 The Committee shall work and liaise as necessary with all other Committees of the Board.

### **14 CHANGES TO THE TERMS OF REFERENCE**

- 14.1 These Terms of Reference shall be reviewed annually by the Committee and any proposed amendments will be recommended to the Board for approval.