

Funding Circle Holdings plc

(the Company)

RISK AND COMPLIANCE COMMITTEE - TERMS OF REFERENCE

adopted by the Board on 29 January 2019

1. Background

- 1.1 The board of directors of the Company (the **Board**) has resolved to establish a risk and compliance committee (the **Committee**). These terms of reference replace any previous terms of reference for any risk and compliance committee of the Board.
- 1.2 The Board has delegated to the Committee responsibility for reviewing and making recommendations to the Board in relation to:
 - (a) the Company's attitude to and appetite for risk and its future risk strategy;
 - (b) the Company and its subsidiaries' (collectively, the **Group**) risk management and compliance systems and compliance with the Group Enterprise Risk Management Framework;
 - (c) the Group's compliance with legal and regulatory requirements and policies; and
 - (d) the effectiveness and appropriateness of the Group's corporate governance framework and ensuring that the relevant Group companies are complying with good practice and relevant regulatory expectations.

2. The Committee's duties

The Committee performs the following duties for the Company, its major subsidiary undertakings and the Group as a whole, as appropriate.

Risk appetite and exposure

- 2.1 To assess the emerging and current principal risk exposures of the Company and the Group, and advise the Board on those risk exposures and future risk strategy.
- 2.2 To advise the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment, drawing on financial stability assessments such as those published by



the Bank of England and other authoritative sources that may be relevant for the Group's risk policies.

- 2.3 To review and make recommendations to the Board in relation to the risks and exposures associated with the Group's operational infrastructure, particularly reliability, business continuity, capacity, security and data privacy. The Committee shall require risk, compliance, IT systems, and control reports to be made to it for its examination and challenge.
- 2.4 To review the Company's capability to identify and manage new risk types, including setting triggers for reporting and escalation of significant emerging risks which may be critical to the Company.
- 2.5 Before a decision is taken to proceed by the Board, to advise the Board on proposed strategic 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 the Group, and taking independent external advice where appropriate and available.

Internal risk management systems

- 2.6 To monitor and keep under review the adequacy and effectiveness of the Group's internal risk management systems, including systems for ensuring compliance with the regulatory environment within which the Group operates.
- 2.7 To promote and review sound risk management systems, including operational and compliance controls.
- 2.8 To consider and approve the remit of the risk management function and ensure it:
 - (a) has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards; and
 - (b) has adequate independence and is free from management and other restrictions.

Chief Risk Officer

- 2.9 To recommend to the Board the appointment and/or removal of the Chief Risk Officer (*CRO*), review promptly all reports from the CRO, review and monitor management's responsiveness to the findings and recommendations of the CRO, and ensure that the CRO is given unfettered direct access to the chair of the Board and to the Committee.

Risk culture

- 2.10 Provide advice and challenge necessary to embed and maintain a supportive risk culture throughout the Group.

Risk policies and reporting



- 2.11 To approve risk policies where it has delegated authority under the Group Enterprise Risk Management Framework and to review and recommend for approval other risk related policies to the Board.
- 2.12 To monitor and keep under review the policies and overall process for identifying and assessing strategic, operational, credit and reputational and conduct risks and managing their impact on the Company and the Group.
- 2.13 To receive and review regular assurance reports from management and others on matters related to risk, in particular as to the effectiveness and testing of risk management systems, including:
 - (a) to review of reports on any material breaches of risk limits and the adequacy of proposed actions; and
 - (b) to understand and review the management of key risk exposures of the Group with particular, but not exclusive, emphasis on conduct risk.
- 2.14 To review the implementation and effectiveness of key Group policies and the Group's overall internal controls relating to risk and its compliance programme at least twice a year with management and the Group Chief Risk Officer, Group Chief Financial Officer (*CFO*) and the Global General Counsel (*GC*).

Corporate Governance and compliance

- 2.15 To work with management to develop and recommend to the Board a corporate code of conduct and ethics and a set of corporate governance guidelines and monitor and review the Company's system to monitor compliance with and enforce this code and guidelines.

Other

- 2.16 Through the secretary of the committee, to work with all other committees of the Board to the extent that their work has risk management implications.
- 2.17
- 2.18 In conjunction with the audit committee, agree an appropriate division of responsibilities and strategy to review the Group's control and risk management systems.
- 2.19 To provide qualitative and quantitative advice to the remuneration committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
- 2.20 To review and recommend to the Board the disclosures included in the annual report and in any financial statements in relation to key risks, risk management and risk strategy and the viability statement (as appropriate).
- 2.21 To review other disclosures and documents as required by the Board.



3. Composition

- 3.1 The Committee must have at least three members, and where possible one member must also be a member of the audit committee. Members of the Committee are appointed by the Board on the recommendation of the nomination committee in consultation with the chair of the Committee.
- 3.2 A majority of the members of the Committee must be independent non-executive directors. The chair of the Board may not be a member of the Committee.
- 3.3 Only members of the Committee have the right to attend Committee meetings, but the Committee may invite others to attend all or part of any meeting if it thinks it is appropriate or necessary. The CRO and GC must be invited to attend meetings of the Committee on a regular basis.
- 3.4 Appointments to the Committee are for a period of up to three years, extendable for two further three-year periods, provided the director still meets the criteria for membership of the Committee.
- 3.5 The Board appoints the chair of the Committee, who must be an independent non-executive director. In the absence of the Committee chair and/or an appointed deputy, the remaining members present may elect one of their number to chair the meeting.

4. Quorum

- 4.1 The quorum necessary for the transaction of business is two members.
- 4.2 A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Meeting administration

- 5.1 The Committee must meet as often as it deems necessary but in any case at least three times a year, at such times and places determined by the Committee chair. The Committee must approve the annual calendar of its meetings. Additional meetings may be called by the Committee chair. The Committee may hold meetings by telephone or using any other method of electronic communication, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the chair.
- 5.2 Meetings of the Committee are called by the secretary of the Committee at the request of any of its members.
- 5.3 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date (and dial-in details if required) of the meeting must be sent, with an agenda of the items to be discussed and any supporting papers, to each member of the Committee, any other person required to attend the meeting and all other non-executive directors, as soon as practicable, and in any event no later than five working days before the date of the meeting.



- 5.4 Outside the formal meeting programme, the Committee chair must maintain a dialogue with key individuals involved in the Company's governance, including the Board chair, the Group CEO, CRO, CFO and GC.

6. Secretary

- 6.1 The Company secretary or such person as the Company secretary nominates acts as the secretary of the Committee.
- 6.2 The secretary must ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 6.3 The secretary must minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.4 Draft minutes of Committee meetings must be sent promptly to all members of the Committee. Once approved, minutes must be made available to all members of the Board, unless the chair of the Committee thinks it is inappropriate to do so.

7. Self-evaluation

The Committee must review its own performance, composition and terms of reference at least once a year and recommend to the Board any changes it considers necessary or desirable.

8. Reporting responsibilities

- 8.1 The chair must report to the Board on the Committee's proceedings and on how it has discharged its duties and responsibilities and shall escalate to the Board promptly all material risks.
- 8.2 The Committee's report must include:
- (a) the significant issues that it considered in relation to the Group's internal risk management and compliance systems and how these were addressed; and
 - (b) any other issue on which the Board has asked for the Committee's opinion, identifying any matters in respect of which it considers that improvement is needed, whether the subject of a specific request by the Board or not, and make recommendations as to the steps to be taken.
- 8.3 The Committee may make such recommendations to the Board it deems appropriate on any area within its remit where action or improvement is desirable or necessary.
- 8.4 The Committee chair must attend the Company's annual general meeting and respond to any shareholder questions in relation to the Committee's report to shareholders under paragraph 8.5 below and matters within its area of responsibility, as directed by the chair of the annual general meeting.
- 8.5 The Committee must compile a report to shareholders to be included in the Company's annual report. The report must, as a minimum:



- (a) summarise the role and work of the Committee;
- (b) explain how the Committee composition requirements have been met, identifying the names and qualifications of its members;
- (c) state the number of Committee meetings that have been held in the relevant period;
- (d) explain how the Committee's performance evaluation has been conducted;
- (e) explain the significant issues that the Committee considered, including the Group's risk management and compliance systems and associated strategies;
- (f) confirm that the assessment of emerging and current principal risk exposures of the Company and the Group has been completed;
- (g) describe the Company's principal risks;
- (h) describe what procedures are in place to identify emerging risks and explain how these are being managed or mitigated; and
- (i) make any statement of compliance required by law or regulations.

9. Other matters

9.1 The Committee must:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required on all Committee matters;
- (b) be given appropriate and timely training, in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference; and
- (e) work and liaise as necessary with all other Board committees.

9.2 The Committee chair should seek engagement with shareholders on significant matters related to his or her areas of responsibility.

10. Authority

10.1 The Board authorises the Committee to:

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



- (b) seek any information from any Group employee or contractor that it requires to perform its duties;
- (c) obtain external legal or other professional advice on any matter within its terms of reference at the Company's expense, and to invite persons giving such advice to attend Committee meetings;
- (d) call any Group employee or contractor to be questioned at a Committee meeting, as and when required;
- (e) publish in the Company's annual report details of any issues that have not been resolved between the Committee and the Board;
- (f) delegate any of its powers to one or more of its members, the chair or the secretary.