

Terms of Reference

Risk and Compliance Committee

The Risk and Compliance Committee (**Committee**) is a committee of the board of directors (**Board**) of AJ Bell plc (**Company**) from which it derives its authority and to which it regularly reports.

1. Purpose

The Committee has been established to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the Company's approach to risk. This includes overseeing the Company's attitude to risk, its risk appetite and tolerances, and its forward-looking risk strategy. The Committee also reviews the effectiveness of the Company's risk management framework, ensures that risk is appropriately reported both internally and externally, and monitors the processes in place to ensure compliance with non-financial laws, regulations, and ethical standards.

2. Governance

Membership

The Committee shall comprise at least three independent non-executive directors, and the Committee as a whole shall have competence relevant to the financial services sector. On a temporary basis, the number of independent non-executive directors may fall below three due to departures pending new appointments.

At least one member of the Committee shall also be a member of the Audit Committee.

The chair of the Board may be a member of the Committee but cannot be Committee Chair.

The Committee Chair shall review the Committee's composition annually, as part of the annual performance evaluation.

Appointment

Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee, and in consultation with the Committee Chair.

Where a non-independent non-executive director is a member of the Committee, the Board shall explain why it considers their membership appropriate.

Appointments shall be for a period of up to three years, extendable by no more than two additional three-year periods.

Committee Chair

The Board, on the recommendation of the Nomination Committee, shall appoint the chair of the Committee from the independent non-executive directors.

In the absence of the Committee Chair and/or an appointed deputy, the remaining Committee members present at a Committee meeting shall elect one of the other independent non-executive directors present to chair the meeting.

Where a decision cannot be reached, the Chair has the casting vote, except where they have a personal interest.

Secretary

The Company Secretary (**Secretary**), or their nominee, shall act as the Secretary of the Committee and will support the Committee by taking minutes and ensuring members

receive relevant information and papers in a timely manner to enable full and proper consideration of the issues.

Authority

The Board authorises the Committee to:

- carry out the duties set out in these terms of reference and have unrestricted access to the Company's documents and information;
- seek any information it requires from any employee or director of the Company to perform its duties;
- obtain, at the Company's expense, appropriate professional advice on any matter within its terms of reference as it considers necessary;
- secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense;
- collectively and individually have direct access to the Chief Risk Officer (**CRO**), the Chief Financial Officer (**CFO**), the Company's external auditors and the Head of Internal Audit.

Delegated Authority

The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Secretary. The Committee may also establish sub-committees which are to report back to the Committee.

3. Meeting arrangements

3.1 Quorum

- (a) The quorum for meetings is two members.
- (b) If there is difficulty in achieving a quorum, independent non-executive directors, who are not Committee members, may be co-opted as members for individual meetings.

3.2 Arrangements

- (a) The Committee shall meet at least four times a year, including at an appropriate time in the Company's financial reporting and audit cycle to consider risk disclosures in the annual report and accounts and, where relevant, in the half-yearly report.
- (b) Outside of the formal meeting programme, the Committee Chair (and to a lesser extent, other Committee members) shall maintain a dialogue with key individuals involved in the Company's governance, including the chair of the Board, CEO, CFO, CRO, the external audit lead partner and the Head of Internal Audit.
- (c) Meetings of the Committee may be called by the Secretary at the request of any of its members, or at the request of the CRO or CFO.

3.3 Attendance

- (a) Only members of the Committee have the right to attend meetings.
- (b) The Committee Chair has discretion to decide who, other than the Committee members, shall attend and address all or part of Committee meetings.

- (c) The CRO, CFO and chief executive officer (**CEO**) will ordinarily be invited to attend meetings on a regular basis, and other non-members, including the Head of Internal Audit and the external audit lead partner/s, may be invited to attend all or part of any meeting as and when appropriate, with the Committee Chair's agreement.
- (d) The Committee Chair may ask any attendees to leave the meeting to allow discussions of matters relating to them.

3.4 Minutes

- (a) The Secretary, or their nominee, shall minute the proceedings and decisions of all Committee meetings, including the attendance and existence of any conflicts of interest.
- (b) Draft minutes of Committee meetings shall be agreed with the Committee Chair and then circulated to all Committee members, unless in the Committee Chair's opinion it would be inappropriate to do so.
- (c) Once approved, minutes shall be circulated to all other Board members unless, in the Committee Chair's opinion, it would be inappropriate to do so.

4. Responsibilities

In carrying out its responsibilities, the Committee shall:

4.1 Risk management

- (a) establish procedures to manage risk and determine the nature and extent of the principal risks the Company is willing to take to achieve its strategic objectives;
- (b) consider the appropriate risk appetite for the Company across all major activities, taking into account the overall strategy of the Company, its plans and other internal information, as well as the external environment, including economic, political and industry information;
- (c) ensure that procedures are in place to identify significant emerging risks, and provide advice on the management and mitigation of those risks, and to escalate them where appropriate;
- (d) oversee the current and prospective risks faced by the Company and its strategy in relation to future risks;
- (e) as part of the annual ICARA process, oversee and challenge the design and execution of stress and scenario testing and ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity and reputation);
- (f) continuously review the Company's overall risk management framework and processes;
- (g) oversee how the Company acts to deliver good customer outcomes and operates appropriate management arrangements, systems and controls to meet FCA requirements and expectations in relation to the Consumer Duty;
- (h) review regular reports on CASS operational oversight, including the effectiveness of systems and controls designed to achieve compliance with the FCA's CASS rules;
- (i) provide advice, oversight and challenge where considered necessary to embed and maintain a supportive risk culture throughout the Company;
- (j) ensure that risk management is properly considered in Board decisions;

- (k) review the methodology for reporting risk to the Board, including both quantitative and qualitative measures;

4.2 Executive risk management

- (a) oversee and challenge the day-to-day risk management and oversight arrangements of executive management;
- (b) ensure the risk management function is properly resourced, with adequate information rights and sufficient independence such that it is free from management interference;
- (c) approve the terms of reference of the Company's executive risk committee (ERC);
- (d) consider whether risks have been properly considered in relation to all major transactions and strategic proposals. This should involve consideration of whether all due diligence and/or procurement processes have been carried out, oversight and challenge of due diligence on risk issues, including obtaining external advice, assessing whether the transaction meets the Company's risk appetite criteria and the implications for future risk tolerance;

4.3 Risk events

- (a) consider the major findings of any relevant internal investigations into risk and control weaknesses, financial crime, or misconduct, and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate;
- (b) review all material adverse crystallisation of risks, including those involving breaches of the Company's procedures, carrying out root cause analysis and introducing lessons learned into the risk management system;

4.4 Compliance and financial crime

- (a) annually review the Company's procedures for detecting financial crime activities, including fraud;
- (b) review the Company's systems and controls for ethical behaviour, the prevention of bribery and modern slavery, and receive reports on non-compliance;
- (c) review regular reports from the Money Laundering Reporting Officer, and the adequacy and effectiveness of the Company's financial crime systems and controls;
- (d) review regular risk and compliance reports from the CRO and keep under review the adequacy and effectiveness of the Company's risk and compliance functions;

4.5 Internal controls

- (a) consider any necessary disclosure implications of the process that the Board has applied to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts;
- (b) review the assurance reports from management on the effectiveness of the internal control and risk management systems and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively;

4.6 CRO

- (a) review reports from the CRO and monitor the response of executive management to all the CRO's findings and recommendations;
- (b) ensure that the CRO is given all information rights necessary to fulfil the role, including access to the Committee Chair and the chair of the Board;
- (c) procure the submission of an annual report to the Committee by the CRO on whether undue risk had been taken to achieve any of the strategic objectives, to inform input from the Committee to the remuneration committee in relation to the annual performance awards;
- (d) meet with the CRO to discuss the effectiveness of the Company's risk management systems, without other members of management present, at least once per year;

4.7 Working with other Board committees and auditors

- (a) through the Secretary, work with all other committees of the Board where their work has risk management implications;
- (b) consider the risks inherent in targets and criteria set for remuneration of the members of the Executive Committee (**ExCo**) in terms of potential impact on the long-term viability of the Company. Where appropriate, provide direct advice on any risk weightings that are to be applied to performance objectives in relation to executive remuneration;
- (c) review the aspects of reports of internal and external auditors that have implications for risk management;

4.8 Reporting

- (a) provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary;
- (b) review the reporting of key risks in the annual report and accounts and the half-yearly report, ensuring it is consistent with the internal reporting of key risks;
- (c) update the Board on its proceedings after each meeting on all matters within its responsibilities, and the minutes of all Committee meetings shall, unless in the Committee Chair's opinion it would be inappropriate to do so, be included in the Board papers for a subsequent Board meeting;
- (d) make recommendations to the Board as deemed appropriate on any area within its responsibilities where action or improvement is needed;
- (e) prepare a report to shareholders describing the work of the Committee in discharging its responsibilities in the annual report; and
- (f) have the right to report any matter in the Company's annual report that cannot be resolved between the Committee and the Board.

5. Other matters

The Committee shall:

- (a) give due consideration to all applicable laws and regulations, in particular the directors' duties contained in the Companies Act 2006, the provisions of the UK Corporate Governance Code, the requirements of the FCA's UK Listing Rules, Disclosure Guidance and Transparency Rules, the Consumer Duty, and the FRC Minimum Standard and any other applicable rules as appropriate;
- (b) work and liaise as necessary with all other Board committees, taking particular account of any delegation of the impact of risk management and internal controls to different committees;
- (c) have access to sufficient resources to carry out its duties, including access to the Secretary for assistance as required; and
- (d) arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness, and recommend any changes it considers necessary to the Board for approval.

Where responsibilities overlap between the Committee and the Audit Committee (**AuditCo**), the respective Committee Chairs shall decide which Committee is best placed to address the matter. The responsibility shall be deemed fulfilled if considered by either Committee.

Approved by	Board
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