

## Saga plc (the Company)

# Terms of Reference of the Risk Committee of the Board of Directors of the Company

adopted by the Board on 18 September 2019

The following are the terms of reference of the Risk Committee (the “Committee”) of Saga plc (the “Company”) and its subsidiaries (together, the “Group”), save to the extent that the subsidiaries have their own risk committees.

### 1 Membership

- 1.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The activities of the Committee should involve participation by the chair of the Audit Committee.
- 1.2 The board of directors of the Company (the “Board”) shall appoint the chair of the Committee, who shall also be an independent non-executive director (the “Chair”), and determine the period for which they shall hold office. In the absence of the Chair and/or an appointed deputy, the remaining Committee members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.
- 1.3 Only Committee members have the right to attend and vote at Committee meetings. However, the Committee may invite any directors or other executives of the Company, including, but not limited to, the Group Chief Executive Officer, the Group Chief Financial Officer, the Chief Risk and Compliance Officer (“CRCO”), other representatives of the risk function, compliance, and internal and external audit or any external professional advisors to attend all or part of any meetings as and when deemed appropriate and necessary by the Board or the Committee.
- 1.4 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair. Appointments to the Committee shall be for a period of up to three years, extendable for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

### 2 Secretary

- 2.1 The Company Secretary (the “Secretary”), or his or her nominee, shall act as secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

### 3 Quorum

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

- 3.3 All of the members of the Committee may participate in a meeting of the Committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.

#### **4 Frequency of Meetings**

- 4.1 The committee shall meet at least three times a year at appropriate times and otherwise as required.

#### **5 Notice of Meetings**

- 5.1 Meetings of the Committee shall be convened by the Secretary at the request of any of its members or at the request of the CRCO if he or she considers a meeting necessary.
- 5.2 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, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, all other non-executive directors and any other person required to attend as soon as practicable, and in any event no later than five working days before the date of the meeting. The agenda shall be circulated together with relevant supporting papers to Committee members and to other attendees as appropriate. The notice period shall be reduced only with the consent of all of the Committee members.

#### **6 Minutes of Meetings**

- 6.1 The Secretary, or his or her nominee, shall minute the proceedings of all meetings of the Committee, including recording the names and job titles of those present and in attendance.
- 6.2 The members of the Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary, or his or her nominee, shall minute them accordingly.
- 6.3 Draft minutes of Committee meetings shall be circulated promptly to the Chair and, once agreed, to all members of the Committee and to all other members of the Board, unless in the opinion of the Chair it would be inappropriate to do so.

#### **7 Annual General Meeting**

- 7.1 The Chair shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities and responsibilities.

## 8 Duties

The principal role of the Committee is to assist the Board in articulating and developing its risk management strategy and providing oversight of risk across the Group. This includes overseeing the current and future risk exposures and risk strategy, developing and monitoring the effectiveness of the risk management framework including risk appetite, risk policy, key processes and controls, business continuity, and the promotion of a risk aware culture throughout the Group. The Committee shall:

- 8.1 Advise the Board on the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment.
- 8.2 Consider and recommend to the Board the nature and extent of the principal risks that the Group is willing to take in achieving its strategic objectives.
- 8.3 In relation to risk assessment and subject to overlap with the Audit Committee:
  - 8.3.1 keep under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
  - 8.3.2 review regularly and approve the parameters used in these measures and the methodology adopted;
  - 8.3.3 set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance; and
  - 8.3.4 review risk management reports for submission to the Board.
- 8.4 Review the Group's capability to identify and manage new risk types and ensure that a supportive risk management culture and reward systems are embedded and maintained throughout the Group in conjunction with the Audit and Remuneration Committees.
- 8.5 On request by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Group, and taking independent external advice where appropriate and available.
- 8.6 Review reports on any material breaches of risk limits and the adequacy of proposed action.
- 8.7 Keep under review the effectiveness of the Group's risk management systems and review and approve the statements to be included in the annual report concerning risk management.
- 8.8 Provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
- 8.9 In relation to Saga Personal Finance Limited (Company number: 03023493) only, and any other of the Company's subsidiaries as the Board may determine from time to time, review reports (at least annually) from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls.
- 8.10 Review (at least annually) a report from the CRCO on the effectiveness of risk management operations.

- 8.11 Review regular Compliance reports from the CRCO and/or any compliance committee of any subsidiary of the Company and keep under review the adequacy and effectiveness of the Company's compliance function.
- 8.12 Review (at least annually) a report from any compliance committee of any subsidiary of the Company on the effectiveness of the compliance function.
- 8.13 Review the insurance programme and the overall levels of insurance including Directors' & Officers' liability insurance and professional indemnity cover;
- 8.14 Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions.
- 8.15 Recommend to the Board the appointment and/or removal of the CRCO.
- 8.16 Review promptly all reports on the Group from the CRCO, such reports to include a review of the risk team and its performance.
- 8.17 Review and monitor management's responsiveness to the findings and recommendations of the CRCO.
- 8.18 Ensure the CRCO shall be given the right of unfettered direct access to the Chairman of the Board, Committee Chair and Committee and is accountable to the Committee.
- 8.19 Meet with the CRCO at least once a year without management present to discuss the CRCO's remit and any issues arising from risk reviews.
- 8.20 Work and liaise as necessary with all other Board committees.
- 8.21 Consider any other matters relevant to the Company's risk management that are referred to it by the Board or Board committees.

The Chair shall (taking into account the views of the Group Chief Financial Officer):

- 8.22 review the objectives of the CRCO and appraise his/her performance against those objectives. This appraisal should consider the independence, objectivity and tenure of the CRCO; and
- 8.23 recommend the remuneration of the CRCO to the Remuneration Committee, and ensure that the remuneration of the CRCO and other members of the risk team (i) is structured to avoid conflicts of interest; (ii) does not impair independence and objectivity; and (iii) is not directly or exclusively linked to the short term performance of the Group.

## **9 Reporting Responsibilities**

- 9.1 The Chair shall report (verbally or otherwise) to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 When requested by the Board, conduct post investment reviews.

- 9.4 The Committee shall review and confirm to the Board that the Group carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- 9.5 The Committee shall produce a report of its activities and the Company's risk management and strategy to be included in the Company's annual report. The annual report should contain a description of principal risks, what procedures are in place to identify emerging risks and an explanation of how they are managed or mitigated.
- 9.6 The directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.

## **10 Other Matters**

- 10.1 The Committee shall have access to sufficient resources to carry out its duties, including access to the Company Secretary and other Group functions for assistance as required.
- 10.2 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members, and if a member wishes to attend specific training, the member may notify the Company Secretary who shall record and progress such request and take steps to ensure that such training is made available to the relevant member.
- 10.3 The Committee shall give due consideration to laws and regulations, the provisions of the Code and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.
- 10.4 The Committee shall oversee any investigation of activities which are within its terms of reference.
- 10.5 The Committee shall arrange for periodic reviews of its own performance and its terms of reference, at least annually, to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11 Authority**

The Committee is authorised:

- 11.1 to undertake any activity within its terms of reference;
- 11.2 to seek any information it requires from any employee/director of the Group in order to perform its duties;
- 11.3 to obtain, at the Company's expense (within the limits authorised by the Board of the Company from time to time), external legal or other professional advice on any matter within its terms of reference where required and invite persons giving such advice to attend Committee meetings;
- 11.4 to request the attendance of any employee at a meeting of the Committee as and when required; and
- 11.5 delegate any of its powers to one or more of its members or the Secretary.

These terms of reference were reviewed and approved by the Board on 18 September 2019.