

Risk Committee: Terms of Reference

July 2022

MEMBERS:

S Holden (Chair)

A Ewing

S Coe

T Cruttenden

M O'Connor

IN ATTENDANCE:

The Company Secretary.

A Haining (Company Chairman) - as observer

Two Senior Members of the Investment Advisor's staff (at a minimum, one of the executive responsible for the day-to-day portfolio management and relationship with the Company and the Finance Director who is also the Senior Accounting Officer).

If there are Board members who are not members of the Committee, they shall attend if invited by the Committee.

MEMBERSHIP AND QUORUM:

The Committee shall be appointed by the Board and consist of a quorum of at least three members from amongst the independent Non-Executive Directors of the Company, one of whom shall be the Committee Chair. The Chairman of the Board shall not be the Chairman of the Committee.

CONSTITUTION AND PURPOSE:

The role of the Board Risk Committee is to ensure that there is proper consideration and assessment risks and stresses ensuring that the Investment Advisor develops appropriate strategies to protect the Group's portfolio of investments. Specifically, it will:

- Recommend to the Board a Group risk appetite, risk limits and tolerances across the key risks to which the business is exposed;
- Monitor investments so that they are aligned with the agreed risk appetite;

- Review major initiatives such as related party acquisitions or initiatives in new geographies or sectors and be assured that appropriate due diligence has been carried out and that any associated movement in risk profile remains within risk appetite;
- Monitor key risk exposures ensuring that the Investment Advisor is exercising appropriate control to reduce the likelihood of risk crystallisation resulting in financial loss, reputational damage or regulatory concern;
- To review the policies and process for identifying and assessing business risks and the management of those risks by the Company;
- Review, challenge, approve and monitor stress and scenario tests; and
- Provide oversight and advice to the Board in relation to current and potential future risk exposures of the Group.

AUTHORITY:

The Committee is authorised by the Board to:

- Investigate any activity within its terms of reference;
- Seek any information that it requires from any party;
- Obtain such professional external advice as the Committee deems appropriate as a means of taking full account of relevant risk experience elsewhere and in challenging its analysis and assessment;
- Commissioning third party assurance work from time-to-time to test systems, controls and other areas of perceived weakness as appropriate;
- Challenge and support the Investment Advisor in embedding an appropriate risk culture so that their staff are alert to the wider impact on the organisation of their actions and decisions and respond accordingly; and
- Oversee direct mitigating actions where the Company has been put at risk of exceeding its risk appetite by discretionary action of the Investment Advisor

RESPONSIBILITY:

Without limiting the Committee's remit, the Committee shall:

Ensure that the Company implements an effective risk governance structure and control framework which envelops key risk areas with appropriate reporting;

Consider on an annual basis and recommend for approval by the Board the Group's risk appetite taking account of the current and prospective macroeconomic and financial environment;

Review, challenge and approve, at least on an annual basis:

- Risk limits and tolerances, inter alia:
 - by asset type;
 - by geography (sovereign risk);
 - by counterparty exposure;
 - for interest rate exposure;
 - for currency exposure;
 - for borrowing at the Group level;
 - cyber risk attack procedures;

Confirm on-going regulatory compliance where appropriate (e.g. FATCA);

Oversee the Group risk profile, challenging the assessment and measurement of key risks whilst monitoring the actions taken to manage them;

Review and recommend scenario assumptions for inclusion in risk evaluation planning and receive the results of stress and scenario analysis to determine whether proposed mitigation is sufficient to manage the business risk profile within the Board's appetite; and

Make recommendations to the Board having taken advice from the Investment Advisor, on material changes to:

- Investment and Strategy;
- Treasury Policy;
- Hedging Policy; and
- Risk Policy

REPORTING PROCEDURES:

The Secretary shall submit each set of minutes to the Board in the quarter following each meeting. In addition, the Chairman of the Committee shall provide a verbal update to the Board on the key matters considered by the Committee.

The Committee shall make its terms of references available to shareholders on request and ensure that they are published on the Company's website. The Committee's duties and activities during the year shall be disclosed in the annual financial statements.

The Chairman shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Committee's activities and its responsibilities.

Amendments may be made to the duties of the Committee by the Board from time to time.

FREQUENCY OF MEETINGS:

Whilst a meeting shall be held, at a minimum, once a year, the Chairman has recommended, and it has been agreed, that the Risk Committee is convened quarterly, aligned with the Company's financial reporting cycle and at such other times as the Chairman of the Committee deems appropriate.

OTHER:

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Adopted: 27 July 2022