

Close Brothers Group plc

Risk Committee (the “Committee”)

Terms of Reference

Purpose

The Committee provides oversight and advice to the Board on:-
Group Risk Appetite
Group Risk Profile and alignment to risk appetite
Risk management framework
Alignment of reward structures to risk appetite
Risk management culture.

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board (“the Board”). The Committee shall be made up of at least three members and should include the Chairman of the Audit Committee. All of the members should be independent non-executive directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings however other members of the Board are invited to attend. The Chief Risk Officer, Chief Financial Officer and Chief Executive Officer are expected to attend meetings and other members of the management will attend as appropriate. Other individuals such as external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.3 The Board shall appoint the Committee Chairman (the “Chairman”) who should be an independent non-executive director. In the absence of the Chairman or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting. The Chairman of the Board may be appointed as a member of the Committee.

2. Secretary

- 2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two. 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.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least three times a year and at such other times as the Chairman shall require.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary at the request of the Chairman.
- 5.2 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 any other person required to attend, no later than 3 working 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.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Board.

7. Annual General Meeting

- 7.1 The Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

The Committee shall:

- 8.1 Help to develop, review and recommend to the Board, the Group's overall risk appetite and a Group risk appetite statement;

- 8.2 monitor the Group risk profile in relation to current and future Group strategy and ensure that it is consistent with the Group's risk appetite;
- 8.3 consider, evaluate, monitor and challenge the appropriateness and effectiveness of the Group's risk management framework and the oversight arrangements of the Executive in relation to the Group's activities and risk profile;
- 8.4 review and challenge reports and recommendations regarding the Group's current risk exposures and overall risk strategy and discuss mitigation with the executive, providing advice as appropriate;
- 8.5 consider and review the current and prospective macro economic and financial environment, drawing on financial stability assessment such as those published by the Bank of England, the FSA and other sources that may be relevant;
- 8.6 consider and assess the implications of proposed regulatory and legal changes that are material to the Group's risk profile, risk appetite and management of risk;
- 8.7 provide input and advice to the Board Remuneration Committee on the alignment of reward structures to the Group's risk appetite for the Group Chief Executive Officer, the executive directors and such other senior executives as appropriate;
- 8.8 oversee and challenge the design and execution of stress and scenario testing, including oversight and challenge of the ICAAP and ILAA processes;
- 8.9 review and assess the Group's liquidity profile, the effectiveness of the Group's liquidity management systems and the overall liquidity risk framework prior to approval by the Board;
- 8.10 consider and approve the appointment and dismissal of the Group Chief Risk Officer who shall report to and whose performance will be reviewed by the Chief Executive Officer and the Chairman of the Committee;
- 8.11 review and approve risk management disclosures including the disclosure in the annual report of the role of the Committee and the Group's risk management;
- 8.12 oversee and challenge due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the governing body;
- 8.13 provide the advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the Group.

9. Other

9.1 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.

10. Authority

10.1 The Committee is authorised to seek any information it requires from any employee of the company in order to perform its duties.

10.2 The Committee is authorised to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference, including reports on key risk issues.

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