

Lighthouse Group plc
Terms of reference for the Regulatory & Risk Committee
August 2018

- 1 Membership
 - 1.1 The Committee shall comprise at least two independent Non-Executive Directors, together with the Group Compliance and Risk Director. Membership shall include the Chair of the Audit Committee. Members of the Committee shall be appointed by the Board in consultation with the Chair of the Risk & Regulatory Committee.
 - 1.2 Not used.
 - 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairperson of the Board, Chief Executive, Finance Director, other Directors, other representatives of the risk function, compliance, and internal and external audit may be invited to attend all or part of any meeting as and when appropriate and necessary. At least once a year, the Committee may meet with those discharging specific risk and regulatory obligations without Executive Directors being present except by specific invitation.
 - 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the individual still meets the criteria for membership of the Committee.
 - 1.5 The Board shall appoint the Committee Chair who shall be a Non-Executive Director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2 Secretary

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.
- 3 Quorum
 - 3.1 The quorum necessary for the transaction of business shall be two members, at least one of whom must be an independent Non-Executive Director. 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.
 - 3.2 Decisions of the Committee will be made by majority vote. In the event that there is an equality of votes the Chair of the Committee will have a second or casting vote.
- 4 Frequency of meetings

The committee shall normally meet at least four times a year at appropriate times and otherwise as required.
- 5 Notice of meetings
 - 5.1 Meetings of the Committee shall be called by the Secretary of the committee at the request of any of its members or at the request of any other person with specific responsibility for risk management and regulatory compliance if they consider it necessary.

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, any other person required to attend and all other Non-Executive Directors, no later than five 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 or his or her nominee shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

7 Annual General Meeting

The Committee Chair should attend the Annual General Meeting of the Company to answer shareholder questions on the Committee's activities.

8 Duties

The Committee should carry out the duties below for the Parent Company, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee shall:

8.0 have regard to the role of the Audit Committee when undertaking its activities, including oversight of the Group's internal audit function as agreed between the Chairs of both Committees

8.1 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, the Financial Conduct Authority and other authoritative sources that may be relevant for the Company's risk policies

8.2 oversee and advise the Board on the current risk exposures of the Company and the Group and future risk strategy

8.3 in relation to risk assessment -

8.3.1 keep under review the Company's and Group's overall risk assessment processes that inform the Board's decision making

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

8.4 review the Company's and Group's capability to identify and manage new risk types

8.5 Not used.

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 Company's internal controls and risk management systems having regard to the role of the Audit Committee in this regard, including, in particular:

- 8.7.1 the arrangements adopted to ensure compliance with FCA rules by regulated firms within the Company's group, and with the AIM Rules in so far as they relate to Corporate Governance and identification and management of risk and internal control systems, and that any compliance function is appropriately resourced and has appropriate standing within the Company.
- 8.7.2 the arrangements adopted by the Company to ensure compliance with other applicable legislation/regulation as determined by the Committee or by the Board.
- 8.7.3 the effectiveness of procedures adopted to ensure compliance with such legislation/regulation.
- 8.7.4 the major findings of internal monitoring and management's response.
- 8.7.5 that arrangements are in place by which staff of the Company may, in confidence, raise concerns about possible improprieties and that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- 8.8 at the Remuneration Committee's request, provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration
- 8.9 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, including the identification of a specific Non-Executive Director to act as the primary initial contact for any whistleblowing reporting. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
- 8.10 review the Company's procedures for detecting fraud to the extent not addressed by the Audit Committee
- 8.11 review the Company's procedures for the prevention of bribery and receive reports on non-compliance, having regard to the work of the Audit Committee in this area
- 8.12 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 or other restrictions
- 8.13 recommend to the Board the appointment and/or removal of the chief risk officer.
- 8.14 review promptly all reports on the Company from the Group Compliance and Risk Director and the chief risk officer
- 8.15 review and monitor management's responsiveness to the findings and recommendations of the chief risk officer
- 8.16 the chief risk officer shall be given the right of direct access to the Chairperson of the Board and to the Committee
- 8.17 review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls
- 8.18 review regular reports from the Group Compliance and Risk Director and keep under review the adequacy and effectiveness of the Company's compliance function

9 Reporting responsibilities

- 9.1 The Committee Chair shall report to the Board on its 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 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.

10 Other matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required
- 10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
- 10.3 give due consideration to laws and regulations, the provisions of the QCA Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules e.g. AIM Rules, as appropriate
- 10.4 oversee any investigation of activities which are within its terms of reference
- 10.5 arrange for periodic reviews of its own performance and, at least annually, review its 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.

11 Authority

The Committee is authorised:

- 11.1 to seek any information it requires from any employee of the Company in order to perform its duties
- 11.2 to obtain, at the Company's expense and where appropriate, outside legal or other professional advice on any matter within its terms of reference
- 11.3 to call any employee to be questioned at a meeting of the Committee as and when required
- 11.4 to carry out any investigation relevant to its terms of reference and to consult the Chairman of the Company, Chief Executive and/or any other Director, officer or employee as it sees fit