

## BOARD RISK COMMITTEE (THE 'COMMITTEE') TERMS OF REFERENCE

These are the Terms of Reference for the Board Risk Committee of Tesco Personal Finance Group plc and Tesco Personal Finance plc (together 'the Board' and 'the Company')

<b>Membership</b>	Members of the Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company. The Committee shall consist of no fewer than three Non-Executive Directors (amongst whom will be the Chair of the Board Audit Committee and the Chair of the Board), at least one of whom shall possess risk management experience.
<b>Chair</b>	<p>The Chair of the Committee shall be an independent Non-Executive Director and shall be appointed by the Board and approved by the PRA and the FCA.</p> <p>In the event of the Chair not being present, the other Non-Executive Director Committee members shall choose a Chair for the purpose of that meeting.</p>
<b>In Attendance</b>	<p>Chief Executive Officer                  Chief Risk Officer                  Chief Financial Officer                  Compliance and Conduct Risk Director                  Treasury Director                  Internal Audit Director</p> <p>Invitations to attend Committee meetings may be extended to other representatives from the Board and to representatives from within the Company as may be deemed appropriate from time to time.</p>
<b>Quorum</b>	A quorum shall require the attendance of at least two members.
<b>Meetings</b>	<p>Meetings shall be held at least four times per year.</p> <p>Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Risk Officer and the Compliance and Conduct Risk Director.</p> <p>Additional meetings may be held as required. Ad hoc meetings of the Committee shall be called by the Secretary at the request of any of its members, any Board Director or the Company Secretary.</p> <p>Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be sent to each member of the Committee, and any other persons required to attend giving sufficient time to consider the matter(s) before the date of the meeting and all</p>

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	supporting papers shall be sent at the same time.
<b>Secretary</b>	Company Secretary or their nominee.
<b>Authority</b>	<p>The Committee is authorised by the Board to investigate any activity within the section headed ‘Detailed Duties’ below, to have such direct access to the resources of the Company as it may reasonably require, to oversee any investigation of activities which are within its Terms of Reference and make recommendations to the Board.</p> <p>The Committee is authorised to seek any information it requires from any employee/director and all employees/directors are directed to co-operate with any request made by the Committee.</p> <p>The Committee must ensure that it is provided with sufficient resources to undertake its duties.</p> <p>The Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company’s expense and to secure the attendance of outsiders with relevant experience and expertise as necessary.</p> <p>The Committee shall have regard to any relevant advice from the Board Audit Committee or Internal Audit concerning the effectiveness of the control framework.</p>
<b>Role of the Committee</b>	<ul style="list-style-type: none"> <li>• To take a forward-looking view of possible economic trends and risks, informed by analysis of appropriate information, and the consideration of potential impacts on the Company and its subsidiaries (‘the Group’).</li> <li>• To consider and recommend to the Board the Group’s risk appetite (the amount and type of risk that the Company is willing to accept).</li> <li>• To seek to ensure that overall business strategy is informed by and remains aligned with the Group’s risk appetite.</li> <li>• To review all the major risks in the Group including Credit, Liquidity and Funding, Capital, Market, Regulatory (including Conduct), Technology, Operational (including Financial Crime, Cyber, Information Security and Supplier Management) and Business risks and to alert the Board to any areas of concern.</li> <li>• To review and challenge the reporting of all risks, controls, actions and events as per the requirements of the Operational Risk Policy reporting parameters.</li> <li>• To review and challenge, where appropriate, the outputs from the Asset and Liability Management Committee (‘ALCO’) and Executive Risk</li> </ul>

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Committee ('ERC').

- To oversee that a culture is appropriately embedded which recognises risk and encourages all employees to be alert to the wider impact on the whole organisation of their actions and decisions.

### **Detailed Duties**

Without prejudice to the items stated above, the duties of the Committee shall be:

- To operate at the strategic policy level of the business in providing oversight and advice to the Board on the current key risk exposures of the Group and future risk strategy: including strategy for credit, operational, capital, liquidity, funding and market risk management; and assist the Board in overseeing the implementation of that strategy in accordance with overall risk appetite.
- To provide advice, oversight and challenge to support the embedding and maintenance throughout the business of a supportive culture in relation to the management of risk alongside established prescriptive rules and procedures.
- To review current and future economic conditions, taking into consideration internally produced MI and externally available information and reports from appropriate sources (including the PRA, FCA, Bank of England and other authoritative sources). This will inform the Committee of possible emerging economic trends and potential risks.
- To report to the Board on overall risk appetite and strategy, taking account of the current and prospective macroeconomic and financial environment; relevant and authoritative financial stability assessments and economic analysis; and capital and liquidity and its prospective adequacy over the cycle in the light of the Group's overall strategy and the external risk appetite.
- To report to the Board on ICAAP stress testing and scenario analysis results and consequent impacts on the Company's capital position, ensuring that the work undertaken is sufficiently rigorous and reflects the risks.
- To report to the Board on ILAAP stress testing and scenario analysis results and consequent impacts on the Company's liquidity position, ensuring that the work undertaken is sufficiently rigorous and reflects the risks.
- To review the monitoring of conduct in the Group and to alert the Board to any systemic conduct or cultural risks.
- To review the design and operation of the Risk Management Framework (comprising governance, principles, policies, methodologies, systems,

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	<p>processes, procedures, management information, people and culture).</p> <ul style="list-style-type: none"> <li>• To review the capability to monitor and report upon risk concentrations and significant exposures.</li> <li>• To review and, if agreed, recommend to the Board the approval of new Level 1 policies and Level 1 policies that have had significant changes made to them.</li> <li>• To review the effectiveness of the Risk function.</li> <li>• To review the risks of any proposed merger, significant acquisition, divestiture, joint venture or disposal and advise whether proceeding with the proposed transaction within set parameters is likely to be in the long-term interest of the Company. To ensure that a due diligence appraisal for the proposal is undertaken, focusing, in particular, on risk aspects and implications for the risk appetite and tolerance of the Group, drawing on independent external advice where appropriate and available, before a decision is taken to proceed.</li> <li>• To monitor the relationship with the PRA, FCA and other relevant regulatory bodies so as to gauge the level of regulatory risk in the business and to review the scope and results of work conducted by any Reporting Accountants requested or approved by the PRA or FCA which affects any of the above objectives.</li> <li>• To work closely with the Board Audit Committee so as to avoid as far as possible any overlap in the review of assurance activities which are the remit of the Board Audit Committee.</li> <li>• To provide advice to the Board on the identification, assessment, mitigation and management of emerging and principal risks. Principal risks should include those that might threaten the Company’s business model, future performance, solvency or liquidity and reputation, taking account of the potential impact and probability of the events, circumstances and timescales over which they may occur.</li> <li>• To ensure that the Risk Adjustment Forum is attended by at least one member of the Committee and provides advice and recommendations to the Board Remuneration Committee on any risk adjustments that reflect performance against the Group’s risk profile in relation to MRT remuneration. This shall support industry best practice to ensure alignment between reward and good risk management, reflecting past, current and potential future risks.</li> </ul>
<b>Committee Governance</b>	<p><b>Effectiveness Review</b></p> <p>Annually the Committee shall review its own effectiveness, Terms of Reference and training requirements, and recommend to the Board any changes it considers necessary.</p>

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	<p><b>Reporting Procedures</b></p> <p>Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless in the opinion of the Chair of the Committee it would be inappropriate to do so.</p> <p>The Chair of the Committee shall give a verbal report at the following Board meeting.</p> <p>The Committee will receive relevant reporting at least twice a year from Tesco Underwriting Limited ('TU') to allow the Committee to consider the risks posed to TU and how they may translate to a Group wide exposure. The reporting should include matters relating to risk appetite, key risk exposures and conduct risk.</p>
<b>Date of last review</b>	May 2021