

JAIZ BANK PLC

BOARD RISK MANAGEMENT COMMITTEE CHARTER

VERSION III

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INTRODUCTION

This Charter governs the work scope and principles governing the operations of the Board Risk Management Committee of Jaiz Bank Plc. ("The Committee").

I. OBJECTIVE

The Board Risk Management Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Jaiz Bank (the "Bank") to assist the Board in fulfilling its oversight responsibilities with respect to insulating the Bank from operational and other key risks faced by the Bank, and shall make recommendations to the Board on the Bank's overall risk appetite, adequacy of internal controls, adequacy of Risk Management framework, and Risk Management processes.

The Committee acknowledges the corporate governance guidelines issued by the Central Bank of Nigeria, the Security and Exchange Commission, and other relevant regulatory provisions as they pertain to the foregoing objectives.

2. COMPOSITION

- 2.1 The Committee shall consist of not less than two (2) non-executive directors, and at least one (1) Executive Director who shall be a non-voting member, all of whom shall be nominated by the Board. The Board shall consider the independence, expertise, entrepreneurial skills and other qualifications of prospective members of the Committee before nominating and appointing the members of the Committee.

The appointment and removal of Committee members shall be the responsibility of the Board.

Attending meetings by standing invitation are the Bank's Finance Director and the Bank Chief Risk Officer or their nominee (subject to prior clearance by the Chairman). Any director, officer or employee of the Bank, external risk advisor and other relevant or expert person may be invited to attend all or part of any meeting by the Committee Chairman.

- 2.2 The members and the Chairperson of the Committee shall be appointed by the Board of Directors for a predetermined term and may serve any number of consecutive terms approved by the Board.
- 2.3 The Company Secretary of the Bank, or their nominee, shall act as Secretary of the Committee.

3. MEETINGS AND MINUTES

- 3.1 The Committee shall meet as often as necessary but not less than once in a quarter to carry out its responsibilities.
- 3.2 A meeting may be called by the Chairman of the Committee, or any member of the Committee.
- 3.3 A notice of time and place of every meeting of the Committee shall be given in writing to each member of the Committee at least two business days prior to the time fixed for such meeting, unless waived by all members entitled to attend.
- 3.4 Attendance of a member of the Committee at a meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.
- 3.5 A quorum for meetings of the Committee shall require at least two (2) of the voting members of the Committee one of whom must be a non-executive director, present in person or by proxy.
- 3.6 If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting will be chosen to preside by a majority of the members of the Committee present at that meeting.
- 3.7 Notwithstanding the foregoing, the Chair of the Committee may hold *in camera* sessions, without management present, or with any one member of Management alone whenever deemed necessary.
- 3.8 Decisions of the Committee shall be determined by consensus.
- 3.9 The Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings.
- 3.10 Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Committee.
- 3.11 All information reviewed and discussed by the Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.
- 3.12 A resolution approved in writing by the members of the Committee shall be valid and effective as if it had been passed at a duly called meeting.
- 3.13 Such resolution shall be filed with the minutes of the proceedings of the Committee and shall be effective on the date stated thereon or on the latest date stated in any counterpart.
- 3.14 The Committee, subject to the Board's approval, shall continuously review and modify its terms of reference with regards to, and to reflect changes in, the business

environment, industry standards on matters of corporate governance, additional standards which the Committee believes may be applicable to the Bank's business and the application of laws and policies.

4. RESPONSIBILITIES

Subject to the detailed requirements of relevant regulations, the Committee is responsible for the following matters:

4.1 to consider the Banks overall appetite for risk, in particular:

- 4.1.1 review reports and recommendations regarding the Bank's overall risk appetite, and make recommendations thereon to the Board for its approval;
- 4.1.2 consider reports on the current and prospective macro-economic and financial environment including stability assessments from authoritative sources and take these into account when assessing risk appetite;
- 4.1.3 monitor the Bank's risk profile and its consistency with risk appetite, to include reviewing reports on:
 - 4.1.4 risk exposures and limits;
 - a. risk concentrations and correlations;
 - b. liquidity and capital measures, forecasts and strategy;
 - c. loss performance (including reports/assessments /on provisioning levels on individual accounts); and
 - d. stress testing;

4.2 to review the appropriateness and effectiveness of the Bank's risk management systems and controls, in particular:

- 4.2.1 review the overall Risk Management Framework ("RMF"), including the principles by which risk is managed;
- 4.2.2 consider and keep under review the Bank's capability for identifying and managing new risk types or risk correlations which may not be covered by existing RMF arrangements at any given time;
- 4.2.3 review the approach by which each major risk type is controlled;

- 4.2.4 review the Bank's risk measurement systems;
- 4.2.5 review reports on the Bank's management of risk, including on adherence to Bank's policies and standards and the maintenance of supportive culture;
- 4.2.6 review reports from the Bank's Chief Risk Officer and the Management's Asset and Liability Committee;
- 4.2.7 receive notification of any material breaches of risk limits and proposed action;
- 4.2.8 review reports on the Bank's procedures for satisfying the supervisory requirements of regulators in connection with:
 - 4.2.8.1 liquidity management, including to review and discuss same in order to satisfy itself regarding its completeness and formation, its consistency with the Bank risk appetite and Bank strategy, and the governance process adopted for its approval;
 - 4.2.8.2 capital adequacy, including examining the thoroughness of the analysis and processes adopted to formulate the internal capital adequacy assessment process;
 - 4.2.8.3 trading book;
 - 4.2.8.4 large exposures;
 - 4.2.8.5 connected lending;
 - 4.2.8.6 Funding Crisis Response and Recovery Plan (FCRRP), including satisfying itself with regard to the completeness of the FCRRP and Resolution Pack and its consistency with the principles of the Bank's Risk Appetite;
 - 4.2.8.7 satisfy itself that the risk management function is adequately resourced and has appropriate access to information to enable it to perform its function effectively and is free from constraint by management or other restrictions;
- 4.3 to consider the implications of changes proposed to regulations and legislation that are material to the Bank's risk appetite, risk exposure and management of risk;
- 4.4 in relation to proposed strategic transactions involving material acquisitions or disposals (those requiring Board approval), to consider and advise the Board on the due diligence undertaken focusing particularly on the risk aspects and implications for risk appetite;
- 4.5 to consider risk management disclosures including:
 - 4.5.1 the disclosure in the annual report of the role of the Risk Committee, its activities and how it has discharged its responsibilities, membership of the Committee, number of Committee meetings, attendance over the course of the year and whether or not external advice was taken and its source;
 - 4.5.2 the disclosure in the annual report on the Bank's risk management; and

- 4.6 to review and recommend for approval of the Board, at least annually, the Company's Information Technology (IT) data governance framework to ensure that IT data risks are adequately mitigated and relevant assets are managed effectively. The framework may include:
- (a) Development of IT strategy and policy;
 - (b) Proactive monitoring and management of cyber threats and attacks as well as adverse social media incidents;
 - (c) Management of risks relating to third-party and outsourced IT service providers;
 - (d) Assessment of value delivered to the Bank through investments in IT; and
 - (e) Periodic independent assurance on the effectiveness of the Company's IT Infrastructure and management
- 4.7 to undertake an annual review of the effectiveness of the Committee;
- 4.8 to report to the Board on its consideration of the above matters, identifying those areas where action or improvement is needed, and making recommendations as appropriate;
- 4.9 to consider such other matters as the Board requires or the Committee considers appropriate and to make recommendations or reports to the Board as appropriate;
- 4.10 to ensure the Chairman of the Committee or other designated member of the Committee should attend the Annual General Meeting of the Bank and answer any questions, through the Chairman of the Board, on the Committee's activities and responsibilities; and
- 4.11 to review the terms of reference of the Committee at least once in three years and propose any changes it considers appropriate to the Board.

5. AUTHORITY

The Committee has the authority of the Board to:

- 5.1 Investigate any activity within its terms of reference.
- 5.2 Have direct access to such officers and employees of the Bank and to any other consultants or advisors, and to such information respecting the Bank it considers necessary to perform its duties and responsibilities.
- 5.3 Form and delegate authority to sub-committees, comprised of one or more members of the Committee as necessary or appropriate. The sub-committee will have the full power and authority of the Committee.

6. REMUNERATION OF MEMBERS OF THE COMMITTEE

The members of the Committee shall be entitled to sitting allowance, reimbursable travel and hotel expenses as approved by the Board.

7. MISCELLANEOUS

7.1 The Committee shall undertake an annual review of these terms of reference and recommend any changes needed to the Board of Directors its for approval.

7.2 The Board of Directors shall have the power at any time to revoke or override the authority given to or acts done by the Committee except as to acts done before such revocation and to terminate the appointment or change the membership of the Committee or fill vacancies in it as it shall see fit.

7.3 The Committee shall 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.

7.4 Where there is a perceived overlap of responsibilities between the Board Risk Management Committee and the Audit Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate Committee to fulfil any obligation. An obligation under the Charter of the Board Risk Management Committee and the Audit Committee shall be deemed by the Board of Directors to have been fulfilled provided that it is dealt with by any of the Board Risk Committee and the Audit Committee.

APPENDIX

KEY RISKS SUBJECT TO THE COMMITTEE'S OVERSIGHT*

Credit: Potential for loss due to failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms.

Market: Potential for loss due to changes in the value of financial instruments, resulting from a movement in rates or market prices.

Pension: Potential for loss due to having to meet an actuarially assessed shortfall in the Bank's pension schemes.

Short Term Liquidity: Potential that the Bank does not have, in the short term, sufficient financial resources to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

Structural Liquidity: Potential for actual or opportunity loss because the Bank cannot pursue its desired business strategy or growth objectives due to a sub-optimal balance sheet structure, including excessive reliance on particular sources of funding.

Capital: Potential for actual or opportunity loss from sub-optimal allocation of capital or increase in cost of capital.

Strategic: Potential for opportunity loss from failure to optimise the earnings potential of the Bank's franchise.

Reputational*: Potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the organisation or its actions.

Operational*: Potential for loss arising from the failure of people, process or technology or the impact of external events

* Aspects of reputational risk and operational risk will also be considered by the Audit Committee.