

TBC Bank Group PLC
(the “Company”)
Risk Committee (the “Committee”)

Terms of Reference

These Terms of Reference define the Committee's role and responsibilities, authority delegated to the Committee by the Board, as well as its structure, membership and procedural matters related to the Committee's activities.

1. Role of the Committee

1.1. The role of the Committee is to support the Board of Directors (the “**Board**”) in:

- a) its oversight of the Company's and its subsidiaries (the “**Group's**”) enterprise wide risk management framework and the risk appetite and risk tolerance appropriate for each business area;
- b) monitoring the alignment of the risk framework to the Group's growth strategy, supporting a culture of risk taking within sound risk governance;
- c) its oversight of the Group's processes and systems that identify, assess, manage and monitor risks (both financial and non-financial);
- d) its preparation of the going concern, risk management and viability statements to be included in the Company's annual report;
- e) its oversight that a robust assessment of the emerging and principal risks facing the Group, including those that would threaten the business model, future performance, solvency and liquidity is undertaken at least once a year.

2. Detailed Responsibilities

In carrying out its role, the Committee shall:

2.1 Risk Management, Risk Appetite and Risk Policies

- a) Regularly consider and recommend for approval to the Board the risk appetite and risk strategy for the Group with a view to ensuring that risk targets and boundaries are set for all key risks faced by the Group and respective management frameworks are established;
- b) Oversee and advise the Board on the Group's current material risk exposures and overall risk profile ensuring compliance with the established risk appetite and risk strategy. When key vulnerabilities are observed, significant risks are identified or the Group is deviating from its targeted risk profile, the Committee should recommend major mitigating actions, request formal action plans from management, if required, and ensure that corrective actions are taken in a timely manner;
- c) Periodically review the Group's business model to ensure consistency with risk appetite and industry outlook and make respective recommendations to the Board;
- d) Regularly review and recommend to the Board for approval the risk management policies of the Group, Credit Policy and ALCO Policy of JSC TBC Bank (“**Bank**”);
- e) Regularly review and recommend to the Board for approval risk management framework and ensure that adequate procedures are in place for managing risks faced by the Group;

- f) Regularly assess risk governance structure, risk management practices and capabilities, quality of risk identification, assessment and management techniques and tools and reporting capabilities;
- g) Oversee the effectiveness of risk management practices (models and processes) to adequately quantify risks embedded in “on and off balance sheet” positions (namely loan book risk as well as other assets or liabilities);
- h) Periodically 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;
- i) Recommend to the Board for approval, in coordination with the Corporate Governance and Nomination Committee, the appointment and/or removal of the Chief Risk Officer of the Bank (“CRO”);
- j) Ensure that the CRO is given the right of direct access to the Chairman of the Board and to the Committee;
- k) Review and analyse reports from the CRO; promptly review reports on any material breaches of risk limits and the adequacy of the proposed action;
- l) Ensure that the executive directors/senior management are aware of and adequately monitor the risk that the Group faces; regularly review and monitor their responsiveness to the findings and recommendations of the CRO;
- m) Regularly review and approve a list of control functions of the Bank in line with the requirements of the National Bank of Georgia.
- n) Seek expertise from the Technology and Data Committee with respect to shaping the correct mix of technology and data monitoring indicators in order to enable an appropriate quantification of appetite vs tolerance of the risk and ensure that the technology and data related threats/risks are understood properly, quantified monitored, and aggregated in the Group’s risk framework;
- o) Periodically review a remedial plan and implementation milestones for IT related risk exposures proposed by the Technology and Data Committee;

2.2 *Strategic Transactions, investments and divestments*

Review and advise the Board on proposed strategic transactions including acquisitions or disposals which result in a material change of the risk profile of the Group. Ensure that an appropriate due diligence appraisal of the proposed transaction is undertaken. Focus in particular on risk aspects and implications of said transaction for the Group’s risk appetite and tolerance, using independent external advice where appropriate and available.

3. Committee Membership and Composition, Members’ Rights and Obligations

- 3.1 The Committee shall comprise a minimum of three members, including the Committee Chair, a majority of whom shall be independent non-executive directors, as determined by the Board.

- 3.2 One of the independent non-executive directors shall be appointed by the Board as the Chair of the Committee (the "**Committee Chair**"). In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.
- 3.3 Committee members should have the appropriate balance of skills, experience, independence to enable them to discharge their respective duties and responsibilities effectively.
- 3.4 Committee members are appointed for a term of one year, subject to annual re-election at the Annual General Meeting of the Company.
- 3.5 Committee members shall have the following rights:
- (a) to request documents, reports, explanations and other relevant information from the officers, executives and employees of the Group;
 - (b) to invite the Group's officers, executives and employees to its meetings as observers to question them, and seek explanations and clarifications;
 - (c) to utilise the services of outside consultants, experts and advisors;
 - (d) to perform any other duties as may be required by the Board within the scope of authority of the Committee as set forth herein;
 - (e) to contribute written suggestions and propositions in order to improve Committee activities;
 - (f) to place matters on the agenda of the Committee meeting and to vote on any matters in the agenda, and to demand inclusion to the Committee meeting minutes of his or her individual opinion;
 - (g) to contribute recommendations on the improvement of relevant policies within the Committee's scope for the consideration of the Board;
 - (h) on giving reasonable notice, to resign from the Committee;
 - (i) Where there is disagreement between the Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreement cannot be resolved, the Committee shall have the right to report the issue to the shareholders as part of the report on its activities in the Company's annual report; and
 - (j) to have sufficient resources in order to carry out the Committee's duties including access to the Company Secretary professional advice.
- 3.6 Committee members shall have the following obligations:
- (a) act in accordance with these Terms of Reference, the Articles of Association of the Company, the UK Corporate Governance Code together with any relevant guidance, the requirements of the UK Financial Conduct Authority's Listing Rules, Disclosure Guidance and Transparency Rules and any other applicable rules and regulations, as appropriate;
 - (b) to participate in the activities and work of the Committee, and attend all meetings;
 - (c) to treat as confidential all information that becomes known to him/her in the course of performing his/her duties;

- (d) to inform the Board of any changes in his/her independent status or any conflicting interest regarding decisions to be made by the Committee;
- (e) to adhere to all applicable laws and regulations and these Terms of Reference whilst carrying out his or her activities;
- (f) to act in the best interests of the Company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to:
 - (i) the likely consequences of any decision in the long term;
 - (ii) the interests of the Company's employees;
 - (iii) the need to foster the Company's business relationships with suppliers, customers and others;
 - (iv) the impact of the Company's operations on the community and the environment;
 - (v) the desirability of the Company maintaining a reputation for high standards of business conduct; and
 - (vi) the need to act fairly as between members of the Company.

4. Committee Meetings

- 4.1 **Notice of the Meetings** - Meetings of the Committee shall be called by the Company Secretary at the request of the Committee Chair or any of its members at any time, to consider any matters falling within the competence of the Committee. In special circumstances, the Committee meetings can be called by the Company Secretary at the request of the CEO or Chairman of the Board if they consider it necessary. Unless the Committee otherwise agrees, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be provided to each member of the Committee and any other person required to attend, no later than five calendar days before the date of the meeting or in case of matters of urgency – no later than 24 hours before the date of the meeting.
- 4.2 **Meetings** - Committee shall meet as often as it deems necessary and at least four times a year. All Committee members are expected to attend the meetings, in person or via telephone or video conference. The Committee meeting agenda will be prepared and provided in advance of the meeting to the members, along with appropriate materials. Outside of the formal meetings, the Committee Chair will maintain a dialogue with key individuals involved in the Group's governance, including the Board Chairman and the CEO.
- 4.3 **Attendees** – only the members of the Committee have the right to attend Committee meetings, other persons may be invited by the Committee Chair to attend the meeting, if and when appropriate. The Company Secretary shall attend all Committee meetings.
- 4.4 **Quorum** – the quorum for the Committee meeting shall be two.
- 4.5 **Voting** - each Committee member shall have one vote which may be cast on matters considered at the meeting, where:
 - (a) votes can only be cast by members attending a Committee meeting.

- (b) if a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting; and
 - (c) except where he or she has a personal interest, the Committee Chair shall have a casting vote.
- 4.6 **Secretary** – the Company Secretary shall act as the secretary of the Committee. The Committee is supported by the Company Secretary on all matters, including assisting the Committee Chair in planning the Committee’s work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support. The Company Secretary ensures that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 4.7 **Professional Advice** – the Committee and the Committee Chair shall have access to the advice and services of the Company Legal Counsel and the external (local and/or international) legal counsel on regulatory and legal matters.
- 4.8 **Minutes** – the Secretary shall minute the proceedings and the decisions of all meetings of the Committee, including recording the names of those absent and in attendance. The Secretary shall also ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The Secretary shall prepare and circulate the draft minutes of the Committee meetings promptly to all members and other attendees of the relevant meeting. Minutes of any meeting shall be announced as final, once signed by the Chair. Unlimited access to all the minutes of the Committee meetings must be granted to all Board members at any time. The Secretary is the key responsible person to provide such access. A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be noted at the next meeting of the Committee.
- 5. **Committee Professional Development, Self-Assessment, Reporting and Disclosure**
 - 5.1 The Committee will undertake appropriate and timely professional development, including an induction programme for new members and on an ongoing basis for all members. The professional development shall include, but not be limited to, an understanding of the principles of and developments in governance-related matters.
 - 5.2 The Committee shall, with the support of the Company Secretary, conduct an annual self-assessment (including the evaluation of the Committee’s compliance with the Terms of Reference) and report any conclusions and recommendations to the Board not later than in the two month period from the end of the relevant year.
 - 5.3 The Committee shall annually review these Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
 - 5.4 The Committee Chair shall report to the Board on its proceedings at the following Board meeting on all matters within its duties and responsibilities. The Committee Chair shall inform the Chairman of the Board as soon as possible on matters that the Committee has deemed as urgent.

- 5.5 The Committee can make recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
 - 5.6 The Committee shall annually produce a report on its activities, which shall be presented to the Board and be published in the Company's annual report. The Committee Report shall comply with all applicable UK regulatory requirements and where relevant, with the requirements of the National Bank of Georgia.
 - 5.7 Committee information, including the Terms of Reference, membership of the Committee and the description of the Committee's duties and activities during the year, shall be disclosed on the Company's website.
- 6. Other Matters**
- 6.1 **Amendments** – these Terms of Reference may be amended by the Board at its sole discretion without prior notification.
 - 6.2 **Inconsistency with UK Law**– where these Terms of Reference are inconsistent with UK law or other applicable UK regulations, the latter shall prevail.