

**LOW & BONAR PLC**

**RISK OVERSIGHT COMMITTEE (the 'Committee')**

**Established pursuant to Article 108 of the Company's Articles of Association**

**TERMS OF REFERENCE**

**1. Membership**

- 1.1. Members of the Committee shall be approved by the Board. The Committee members shall be:
  - 1.1.1. the Group Chief Executive;
  - 1.1.2. the Group Finance Director;
  - 1.1.3. the Head of Legal Affairs;
  - 1.1.4. the Head of Internal Audit; and
  - 1.1.5. such members of the Executive Management Team or other senior managers as the Group Chief Executive shall nominate from time to time.
- 1.2. Only members of the Committee have the right to attend Committee meetings. Other persons, such as the Group Risk Manager, may be invited to attend all or part of any meeting as and when appropriate.
- 1.3. The Group Finance Director shall act as chairman of the Committee.

**2. Secretary**

- 2.1. A person nominated by the Chairman shall act as the secretary of the Committee.

**3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be two members one of whom must be either the Group Chief Executive or the Group Finance 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.

**4. Frequency of Meetings**

- 4.1. The Committee shall meet at least three times a year at appropriate times in the business cycle and otherwise as required.

**5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
- 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 meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

## **7. Duties**

The Committee should carry out the duties below for the group as a whole, as appropriate.

- 7.1. To support the Board's role in overseeing an enterprise-wide approach to risk identification, management and mitigation in relation to those matters identified from the Group Risk Register from time to time and allocated to it by the Board (which shall include those matters set out in the appendix to these terms) (the "Relevant Risks"), including with respect to environmental, social and governance risks ("ESG"). This includes:-
  - 7.1.1. identifying, assessing and managing the significant risks to the Group's short and long-term value, as well as the opportunities to enhance value that may arise from an appropriate response, and advising the Board of the same;
  - 7.1.2. recommending a risk management policy to the Board in relation to the Relevant Risks for approval, including reviewing and maintaining the Group's Risk Register and Group Risk Manual (with the assistance of the Board and the Audit Committee) and reporting to the Board on the Relevant Risks from time to time;
  - 7.1.3. providing understanding and assurance of the Group's overall appetite for risk in relation to the Relevant Risks;
  - 7.1.4. providing advice to the Remuneration Committee on alignment of management remuneration with the Group's risk strategy to ensure appropriate remuneration incentives;
  - 7.1.5. promoting the tone and culture of effective risk management in relation to the Relevant Risks across the Group and ensuring that the culture encourages senior managers to question, challenge and test managers and advising the Board on appropriate training for senior managers in regard to the Relevant Risks;
  - 7.1.6. raising awareness and prioritisation of current and emerging risks faced by the Group;
  - 7.1.7. ensuring that the Group has in place effective systems for managing and mitigating the Relevant Risks which, where relevant, incorporate performance management systems;

- 7.1.8. identifying executive management’s responsibility for the managing and reporting of risk matters in relation to the Relevant Risks.
- 7.2. To have responsibility for risk management policy and processes that are adopted at Company, Business Unit and Group Centre to ensure that they:-
  - 7.2.1. are aligned with the Group’s business objectives in a way that balances the management of risk with adding value to the organisation and assist the Board in developing key performance indicators with regard to risk issues;
  - 7.2.2. help management and the Board in making better, more risk-informed operational and strategic decisions in relation to the Relevant Risks;
  - 7.2.3. identify, assess and manage the organisation’s most significant enterprise-wide exposures in relation to the Relevant Risks;
  - 7.2.4. provide input into the Group Internal Audit Plan, ensuring it is aligned with the Group’s perceived prioritised risks in relation to the Relevant Risks.
- 7.3. To ensure that the appropriate personnel are brought into the Board’s discussions on risk management. Within this, the need to ensure there is clear ownership of risk, at each level of the organisation.
- 7.4. To consider and manage the various compliance requirements and risks that the Company is exposed to.
- 7.5. To provide an assurance to the audit committee that the risk management structure contributes to a system of internal control, by reporting on (i) the methods for ensuring the full range of risks is encompassed by the Groups committee structure; and (ii) accountability for aspects of risk management and internal control .

## **8. Sub-committee**

- 8.1. The Committee shall have a sub-committee (the “Environmental, Health & Safety Committee”) which shall have the following duties:
  - 8.1.1. consider and report on the environment, health and safety management process within the Group (“EH&S”) with the following objectives:
    - 8.1.1.1. to raise the level of management awareness, both at Board and operational level, and accountability for the EH&S risks experienced by the Group;
    - 8.1.1.2. to develop EH&S management as part of the culture of the Group;
    - 8.1.1.3. to provide a mechanism for EH&S management issues to be discussed and disseminated to all areas of the Group;
    - 8.1.1.4. to recommend adoption of best practice in the areas of EH&S; and
    - 8.1.1.5. to develop and implement a group wide management system for EH&S.
  - 8.1.2. provide advice on the co-ordination of EHS risk management strategies with the following objectives:

- 8.1.2.1. to co-ordinate activities to obtain a more effective EH&S management process from existing resources and when required to recruit additional resource;
  - 8.1.2.2. to prioritise and accelerate those EH&S management strategies that are critical to the achievement of corporate objectives;
  - 8.1.2.3. to ensure that actions required are given the appropriate level of sponsorship and support.
- 8.2. Members of the Environmental, Health & Safety Committee shall be approved by the Committee and shall consist of the following:
- 8.2.1. the Group Risk Manager as chairman; and
  - 8.2.2. an appropriate member of senior management charged with responsibility for EH&S matters within each business unit within the Group.
  - 8.2.3. The Environmental, Health & Safety Chairman shall report formally to the Committee, on its proceedings after each meeting on all matters within its duties and responsibilities.

## **9. Reporting Responsibilities**

- 9.1.1. The Committee Chairman shall report formally to the Board, the Audit Committee and the Remuneration Committee (as appropriate) on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.1.2. The Committee shall make whatever recommendations to the Board and its committees it deems appropriate on any area within its remit where action or improvement is needed.
- 9.1.3. The Committee shall compile a report to shareholders on its activities to be included in the company's Annual Report.

## **10. Other Matters**

The Committee shall:

- 10.1.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.1.2. 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;
- 10.1.3. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate;
- 10.1.4. oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 10.1.5. 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.

## **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, outside legal or other professional advice on any matter within its terms of reference; and
- 11.3. to call any employee to be questioned at a meeting of the Committee as and when required.

Adopted 24 August 2011

**APPENDIX – RELEVANT RISKS**

**Risk Oversight Structure & Organisation**

