Manx Financial Group

GROUP AUDIT, RISK AND COMPLIANCE COMMITTEE

Terms of Reference

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Glossary

Board	Board of Directors of Manx Financial Group PLC
Committee	Group Audit, Risk and Compliance Committee
Company	Manx Financial Group PLC
Group	Manx Financial Group PLC and its subsidiary companies

1. Membership

1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the Chair of the Committee. The Committee shall be made up of at least 2 members.

1.2 The majority of the members of the Committee shall be non-executive directors of the Company and at least one of whom shall have recent and relevant financial experience with a professional qualification from one of the professional accountancy bodies. The Chair of the Board shall not be a member of the Committee. 1.3 Only members of the Committee have the right to attend Committee meetings. However other individuals may be invited by the Chair of the Committee to attend all or part of any meeting as and when appropriate.

1.4 The Chair of the Committee will invite the external auditor to attend meetings of the Committee on a regular basis.

1.5 Appointments to the Committee shall be for a period of up to 3 years, which may be extended by the Board for a further 3-year period (or, in exceptional circumstances, two further 3-year periods), provided the director remains independent. The Board may approve annual extensions to any director who has served 3 consecutive terms.

1.6 The Board shall appoint the Chair of the Committee who shall be a non-executive director. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

2.1 The Company Secretary of the Company or his or her nominee shall act as the secretary to the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

3.1 The quorum necessary for the transaction of business shall be 2 members. 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. Committee members may attend by telephone.

3.2 The Committee may approve matters by written resolution, provided that the resolution is circulated to, and signed by all members of the Committee.

4. Frequency of Meetings

4.1 The Committee shall meet at least six times a year. Of these, two will be held to review the annual and interim financial statements.

4.2 Outside of the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the Group's governance.

5. Notice of Meetings

5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the external or internal auditor 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 and any other person required to attend no later than 5 working days before the date of the meeting.

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 record any conflicts of interest divulged at the meeting.

6.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Minutes will be circulated to all other members of the Board.

7. Annual General Meeting

7.1 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

8.1 The Committee shall carry out the duties below for the Group, any non-dormant subsidiaries and the Group as a whole, as appropriate.

Financial Reporting:

a. Monitor the integrity of the financial statements of the Group, including annual and half-yearly reports, interim management statements, and any other formal announcement relating to financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of price sensitive nature.

(i) Review and challenge where necessary:

a. The consistency of, and any change to, accounting policies both on a year-on-year basis and across the Group.

b. The methods used to account for significant or unusual transactions where different approaches are possible.

c. Whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.

d. The clarity and completeness of disclosure in the Group's annual and interim report and the context in which statements are made.

e. All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement.

f. Compliance with stock exchange and other legal requirements including the requirement for subsidiaries to meet the Isle of Man and UK legislation, the Isle of Man FSA regulations, UK FCA regulations and UK PRA regulations.

g. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the board in question.

(ii) Internal Controls and Risk Management Systems

a. Keep under review the effectiveness of the Group's internal controls and risk management systems.

b. Review and approve the statements to be included in the annual report concerning internal controls and risk management.

c. Oversee the effectiveness of the Group's overall assurance framework, including internal audit, external audit, risk, compliance and other assurance activities, to support the Board's assessment of the effectiveness of risk management and internal controls.

d. Conduct an annual review of any changes to the risk policy statements.

e. Review material environmental, social, climate-related and wider stakeholder risks where these fall within the Group's risk management framework, including their potential impact on the Group's strategy, business model and long-term success.

f. Monitor and review the effectiveness of the Risk and Compliance function in the context of the Group's overall risk management system.

g. Review reports on any breaches of risk limits and the adequacy of the proposed action.

h. Review and assess the annual compliance plan.

i. Receive consolidated risk reports from the Conister Bank Risk Management Committee.

(iii) Compliance, Whistle blowing and Fraud

a. Review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

b. Review the Group's procedures for detecting fraud.

c. Review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

d. Review regular reports from the Money Laundering Reporting Officers and the adequacy and effectiveness of the Group's anti-money laundering systems and controls.

e. Review regular reports from the Head of Group Compliance and keep under review the adequacy and effectiveness of the Group's compliance function.

(iv) Internal Audit

a. Monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system.

b. Approve the appointment and removal of the Internal Audit Manager.

c. Consider and approve the remit of the internal audit 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 for internal auditor.

d. Ensure the Internal Audit Manager has direct access to the Chair of the Group boards and to the Chair of the Committee, and is accountable to the Committee.

e. Review and assess the annual internal audit plan.

f. Review promptly all reports on the Group from the internal auditor.

g. Review and monitor management's responsiveness to the findings and recommendations of the internal auditor.

h. Meet the internal auditor at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.

(v) External Audit

a. Consider and make recommendations to the Board, to be put to the Company for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Group's external auditor.

b. The Committee shall oversee the selection process for new auditor and if the auditor resign the Committee shall investigate the issues leading to this and decide whether any action is required.

c. Oversee the relationship with the external auditor including (but not limited to):

i. Approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted.

ii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.

iii. Assess their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.

iv. Satisfy itself that there are no relationships (such as family, employment, investment financial or business) between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.

v. Agree with the Board a policy on the employment of former employees of the Group's auditor, then monitoring the implementation of this policy.

vi. Monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements.

vii. Assess annually their qualifications, expertise and resources and confirm acceptance of the audit process and plan which shall include a report from the auditor on their own internal quality procedures.

viii. Ensure co-ordination with the activities of the internal audit function.

ix. Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the Group's auditor from the market in that evaluation.

x. Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.

xi. Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

(vi) Review the findings of the audit with the external auditor (including but not limited to):

a. A discussion of any major issues which arose during the audit.

b. Any key accounting and audit judgements.

c. Levels of errors identified during the audit.

d. The effectiveness of the audit.

e. Any representation letters requested by the external auditor before they are signed by management.

f. The management letter and management's response to the auditor's findings and recommendations.

g. Develop and implement a policy on the supply of non-audit services by the auditor; taking into account any relevant ethical guidance on the matter.

9. Reporting Responsibilities

9.1 The Chair of the Committee shall report formally to the Board and other appropriate boards on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report should include:

(i) The significant issues that it considered in relation to the financial statements and how these were addressed.

(ii) Its assessment of the effectiveness of the external audit process and its recommendation on the appointment and reappointment of the external auditor.

(iii) Any other issues on which the Board has requested the Committee's opinion.

(iv) Any recommendations, actions to be taken and matters requiring Board approval, escalation or further consideration.

9.2 The Committee shall:

(i) Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

(ii) Compile a report to shareholders on its activities to be included in the Group's Annual Report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process, the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor and all other information requirements set out in any corporate governance codes the Company wishes to adopt.

(iii) In compiling the reports the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Group is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report.

(iv) Make these Terms of Reference available to shareholders by placing them on the Company's website and ensure that the Terms of Reference and related corporate governance disclosures are reviewed at least annually, kept up to date and dated to show when they were last reviewed.

10. Other

10.1 The Committee shall:

(i) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.

(ii) 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.

(iii) Give due consideration to laws and regulations, the provisions of the AIM Rules for Companies, applicable market rules, any corporate governance codes the Company wishes to adopt and other legal and regulatory requirements, including the requirement for subsidiaries to meet Isle of Man and UK legislation, Isle of Man FSA regulations, UK PRA regulations and UK FCA regulations, as appropriate.

(iv) Be responsible for any co-ordination between the internal and external auditor.

(v) Oversee any investigation of activities which are within its Terms of Reference and act for internal purposes as a Committee of last resort.

(vi) Work and liaise as necessary with all other Group committees.

(vii) 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

11.1 The Committee is authorised to:

(i) Seek any information it requires from any employee of the Group in order to perform its duties.

(ii) Obtain, at the Group's expense, outside legal or other professional advice on any matter within its Terms of Reference.

(iii) Subject to the constitutional documents of the Company to determine its own procedures. The frequency and timing of meetings will differ according to the needs of the Company. Meetings should be organised so that attendance is maximised (for example by timetabling them to coincide with Board meetings).

(iv) Have the right to publish in the Group's Annual Report details of any issues that cannot be resolved between the Committee and the Board.