

**GCP ASSET BACKED INCOME FUND LIMITED
RISK COMMITTEE TERMS OF REFERENCE**

Last update: 21 January 2020

RISK COMMITTEE

TERMS OF REFERENCE

1. Membership

- 1.1. The Committee shall be made up of at least two members. Members of the Committee and the Chair of the Committee shall be appointed by the Board on the recommendation of the Remuneration and Nomination Committee. All members of the Committee shall be non-executive directors
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, the Committee shall have the authority to request other individuals, where appropriate, to attend for all or part of any meeting.

2. Secretary

The company secretary or their nominee shall act as the secretary of the Committee.

3. Quorum

The quorum necessary for the transaction of business shall be two members of the Committee. 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

The Committee shall meet at least twice a year at appropriate times in the financial reporting cycle and otherwise as required.

5. Notice of meetings

- 5.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external auditors.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each member of the Committee and any other person required to attend no later than ten working days before the date of the meeting unless otherwise agreed by the Chair of the Committee. An agenda of items to be discussed shall be forwarded to the Chair of the Committee in the first instance at least ten working days before the date of the meeting unless otherwise agreed by the Chair of the Committee, then circulated to each member of the Committee and any other person required to attend at least five 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 decisions 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. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee no later than ten working days following the date of the Meeting. Once approved, minutes should be tabled at the next available quarterly Board meeting unless it would be inappropriate to do so in the opinion of the Committee Chair.

7. Shareholder engagement

The Committee Chair shall seek engagement with shareholders on matters within the scope of the Committee's responsibilities including attending the Annual General Meeting to respond to any shareholder questions on the Committee's activities.

8. Purpose

- 8.1. The purpose of the Committee is to assist the Board in its oversight and assessment of the risks and appetite that the Company is exposed to, the effectiveness of the risk management framework and ensuring the external reporting of the Company gives a fair, balanced and understandable reflection of risk having due regard to the Company's investment objective and policy and prospectus.

9. Duties

The Committee should carry out the duties below for the Company, major subsidiary undertaking (if any) and the group as a whole (if a group is in existence), as appropriate.

- 9.1. The Committee shall:
- 9.1.1. review the risk profile and appetite to consider their likelihood and impact if they were to materialise;
 - 9.1.2. review, in conjunction with the Audit Committee, the effectiveness of the internal controls and risk management framework;
 - 9.1.3. review compliance with the applicable legal and regulatory requirements;
 - 9.1.4. reasonably satisfy itself that systems put in place by the investment manager, in respect of the Company are adequate to meet relevant legal and regulatory requirements;
 - 9.1.5. reasonably satisfy itself that matters of compliance are under proper review. The Company shall procure (through the terms of the investment management agreement) that the Committee shall have direct access to the investment manager's compliance officer, and shall receive a report from the investment manager each year confirming that the investment manager has conducted the Company's affairs in compliance with the regulations applying to it;
 - 9.1.6. carry out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and ability to deliver its strategy and include in the annual report of the Company a description of them along with explanations on how they are being managed or mitigated and any change from previous years;
 - 9.1.7. review and challenge, insofar as it relates the Risk Committee, the content of the annual report and all material information within the financial statements and advise the Board on whether, taken as a whole, it provides the information necessary for shareholders and other users to assess the Company's position and performance, business model and strategy review;
 - 9.1.8. review the report of the risk office of the investment manager prior to consideration of the principal risks and uncertainties to be included in the half-yearly and annual financial statements and receive from the Investment Manager confirmation that they have complied with all relevant regulatory requirements each year; and
 - 9.1.9. review the adequacy and effectiveness of the Company's compliance function.

10. Reporting responsibilities

- 10.1. The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. The Committee shall report to the shareholders in the annual report. The report should include, inter alia:
- 10.3.1. a summary of the role and work of the Committee;

- 10.3.2. how any risk committee composition requirements have been addressed and the names and qualifications of all members of the Committee during the period;
- 10.3.3. the number of Committee meetings; and
- 10.3.4. any significant issues that the Committee considered in relation to the annual report and financial statements and how these issues were addressed.

11. Other matters

The Committee shall:

- 11.1. have access to sufficient resources in order to carry out its duties including access to the Company Secretary and external advisers if required;
- 11.2. be provided with appropriate timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.3. give due consideration to the provisions and requirements of the Company's Prospectus, laws and regulations, the provisions of the AIC Code, the UK Code and the requirements of the UK Listing Authority's Listing, Prospectus and the UKLA DT Rules as appropriate;
- 11.4. oversee any investigation of activities which are within its Terms of Reference;
- 11.5. arrange for periodic reviews of its own performance; and
- 11.6. review its constitution and Terms of Reference at least annually to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. Authority

The Committee is authorised to:

- 12.1. seek any information it requires from any Director or adviser of the Company in order to perform its duties;
- 12.2. obtain, at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference;
- 12.3. call any Director or adviser to be questioned at a meeting of the Committee as and when required; and
- 12.4. have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.