



Risk and Compliance Committee Charter

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1 August 2020	2020.1	Joanna Brand	<ul style="list-style-type: none"> Annual review, template formatting changes and minor amendments to wording in Section 3: Authority and Powers and Section 5: Meetings, and inclusion of Section 9: Limitations. 	Board Meeting minutes 18 August 2020
14 August 2021	2021.1	Company Secretary	<ul style="list-style-type: none"> Amendments to reflect changes post the acquisition of ME Bank by Bank of Queensland. 	Approved by the Board by circular resolution on 14 August 2021

Introduction

The Board is ultimately responsible for the sound and prudent management of ME, including oversight of ME's risk management framework, which governs the way ME manages risks arising in its operations.

The Board Risk and Compliance Committee (Committee) assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to ME's risk appetite statement, risk management strategy, risk management framework and risk management function. In discharging its responsibilities, the Board may, as it considers prudent, place reasonable reliance on the recommendations and advice from this Committee, external advisers and management. In so doing the Board expects all directors to approach their tasks with an enquiring mind and make an independent assessment of the matters for decision in accordance with their accountabilities.

The Committee provides oversight of, and guidance to, management in the conduct of its activity, but is not involved in that activity.

1. Purpose

- 1.1. The purpose of the Committee is to provide objective oversight of the implementation and operation of ME's risk management framework.

2. Composition

- 2.1. The Committee will comprise at least three non-executive directors, with a majority of independent directors, as determined by the ME Board.
- 2.2. The Chair of the Committee (an independent director) will be appointed by resolution of the Board, to be recorded in the minutes of the meeting at which they are made.
- 2.3. Notwithstanding the previous clause, if the Chair of the Committee is absent from a meeting, the Committee members present will appoint another independent director as Chair for that meeting.
- 2.4. Members of the Committee will be appointed by resolution of the Board, to be recorded in the minutes of the meeting at which they are made.
- 2.5. The membership of the Committee will be reviewed annually by the Board, or at any other time at the discretion of the Board.
- 2.6. The Chair of the ME Board can sit on the Committee but cannot be its Chair.
- 2.7. The Company Secretary will establish an induction program for new members. The Chair has responsibility for ensuring that new members are provided with the induction program.
- 2.8. The Company Secretary will be responsible for keeping membership records.

3. Authority and Powers

- 3.1. The Committee discharges its responsibilities in accordance with the authority delegated to it by the Board as well as any powers conferred by statute, regulation or regulatory authority requirements.
- 3.2. The responsibilities delegated to this Committee are contained in the Authorities and Delegations Matrix in accordance with the Authorities and Delegations Policy, this Charter and any other resolution of the Board as made from time to time.
- 3.3. The Committee is not responsible for supervising the performance of executives and does not become involved in day to day operations and management functions.
- 3.4. The Chair and the Committee must, at all times, have free and unfettered access to senior management, risk and financial control personnel, and any other parties (internal or external) or information it deems warranted to meet its purpose and carry out its responsibilities.
- 3.5. Senior management, the internal auditor, the heads of risk management functions and ME's external auditor must, at all times, have free and unfettered access to the Chair and the Committee.
- 3.6. The Committee can request reports to be presented to meetings for the purpose of ensuring that the Committee is able to discharge its responsibilities:
 - (i) Regular reports are to be provided by management in accordance with an agreed schedule.
 - (ii) "Issue driven" reports may be prepared on a needs basis (at the request of the Board, the Chair of the Committee, or management).
- 3.7. The Committee has the authority and right to receive written and oral reports from any Management Committee.
- 3.8. The Committee may, with the Board's approval, obtain written and oral advice from external advisors, at ME's cost.
- 3.9. The Committee may delegate its discretions and responsibilities. The Committee will record a copy of all delegations in its minutes.
- 3.10. The Committee may, as determined by the Chair, make decisions by circulating resolution. Approval of a circulating resolution will be evidenced by:
 - (i) the signature of a Committee member entitled to vote on the matter on a written copy of the resolution; or
 - (ii) electronic proof of the Committee member's approval to the resolution.

4. Responsibilities

The Committee is responsible for:

Risk Matters

- 4.1. Advising the Board on ME's overall current and future risk appetite and risk management strategy.
- 4.2. Establishing a ME-wide view of ME's current and future risk position relative to its risk appetite and capital strength.
- 4.3. Oversight of senior management's implementation of the risk management strategy.
- 4.4. Constructive challenge of senior management's proposals and decisions on all aspects of risk management arising from ME's activities.
- 4.5. Reviewing the performance and setting the objectives of the Chief Risk Officer (CRO), and ensuring the CRO has unfettered access to the Board and the Committee.
- 4.6. Oversight of the appointment and removal of the CRO, including making a prior endorsement for the appointment or removal.
- 4.7. In the event of the removal of the CRO ensuring the reasons for the removal have within 10 business days of the removal been provided to, and if required discussed with, APRA.
- 4.8. Reviewing and overseeing the risk profile of ME within the context of the Board determined risk appetite.
- 4.9. Making recommendations to the Board concerning ME's risk appetite and particular risks or risk management practices of concern to the Committee.
- 4.10. Reviewing Management's plans for mitigation of the material risks (as identified by the Board, this Committee or management from time to time) faced by ME.
- 4.11. Promotion of a sound risk management culture which takes account of ME's strategic plan and achieves a balance between risk minimisation and reward for risks accepted. This includes, but is not limited to, providing a forum whereby the Committee and management can discuss:
 - (i) The identification of emerging risks;
 - (ii) ME's risks (including emerging risks) and tolerances to those risks; and
 - (iii) Any other matters to provide for the appropriate debate between the Committee and management, including Risk Management, of ME's risks (including emerging risks) and tolerances to those risks.
- 4.12. As the Board retains responsibility for management of ME's strategic risk, the Committee is responsible for escalating newly identified strategic risks to the Board to address, and for assisting the Board with management of strategic risks, as requested.
- 4.13. Recommending to the Board for approval risk policies, strategies and frameworks in respect of all risks other than strategic risk.
- 4.14. Recommending to the Board for approval the Internal Capital Adequacy Assessment Process.
- 4.15. Approval of the design, implementation and review of risk management and internal compliance and control systems throughout ME.
- 4.16. Providing assistance to the People and Remuneration Committee in respect of the management of risk through ME's Remuneration Policy.

Credit Risk

- 4.17. Approval of the criteria on which ME will rely to identify those credit exposures deemed to be a source of concern, and which will be reported to the Executive and this Committee.
- 4.18. Approval of any risk-grading system deemed necessary to manage credit risk exposures.
- 4.19. Recommending to the Board for approval the framework, including policies and procedures, by which ME will measure, assess and report impairment.
- 4.20. Approval of processes by which collateral values are assessed and monitored.

Compliance

- 4.21. Ensuring ME has in place a designated compliance function, which is adequately staffed by appropriately trained and competent persons with sufficient authority to perform their role.
- 4.22. Ensuring the compliance function has a reporting line that is independent from business lines.
- 4.23. Receiving regular reporting on compliance matters, including breach reporting.

Other

- 4.24. Review of the Committee's Charter at least annually and any changes to the Charter must be approved by the Board.
- 4.25. Review of the Committee's performance at least annually and report the outcomes of the review to the Board.
- 4.26. Ensuring continuing education is provided to directors on emerging trends and industry and product developments.
- 4.27. Regularly reviewing relevant policies and procedures.
- 4.28. Examining any other matters referred to it by the Board.
- 4.29. Meeting with APRA at APRA's request.

5. Meetings

- 5.1. The Committee will meet at least 4 times annually.
- 5.2. The Committee may, at its discretion, schedule additional meetings with management.
- 5.3. The Chair will be responsible for setting a calendar of business to ensure that the Committee fulfils its duties and responsibilities as contained in this Charter.
- 5.4. The Chair and Company Secretary will be responsible for setting the agenda for each meeting. Any Committee member may make a suggestion for the agenda.
- 5.5. Committee papers will be provided to members in reasonable time prior to the meeting to allow members to prepare for the meeting.
- 5.6. A quorum of the Committee is to comprise a minimum of two non-executive directors.
- 5.7. The CRO must be invited to all relevant sections of Committee meetings.
- 5.8. The internal auditors, appropriate senior management, advisors and other external parties may be invited to attend meetings of the Committee at its discretion.
- 5.9. The Committee meets, as appropriate, with those responsible for risk management functions without other parties being present.
- 5.10. All other members of the Board may attend the Committee's meetings as observers, and upon request can receive copies of the Committee's papers.
- 5.11. A Committee meeting may be called or held using any technology consented to by all members.

6. Conflicts of Interest

- 6.1. The Board has established the Board Disclosure of Interests and Handling Conflicts of Interest Procedures for handling matters that may give rise to a conflict between the interests of a director and those of ME.
- 6.2. Any Committee member, with a real or perceived conflict of interest, may not be present at a meeting while the matter is being considered unless the other directors agree that the interest should not disqualify the director, with the material personal interest, from being present while the matter is being considered; and
- 6.3. Any Committee member, with a real or perceived conflict of interest, may not vote on the matter being considered unless the other members agree that the interest should not disqualify the member with the conflict from voting.

7. Voting

- 7.1. A resolution of the Committee must be passed by a majority of the votes cast by the Committee members entitled to vote on the resolution.
- 7.2. Each Committee member present in person or by alternate is entitled to vote and has one vote.
- 7.3. If on any resolution an equal number of votes is cast for and against the resolution, the Chair has no casting vote.

8. Reporting

- 8.1. The Company Secretary will prepare minutes of the meetings for approval at the next meeting. The Chair will sign the minutes.
- 8.2. The minutes will record all decisions made by the Committee.
- 8.3. The minutes will be included in the papers for the next meeting, with a schedule of matters outstanding.
- 8.4. The Committee will report to the Board at the next Board meeting through an oral report from the Chair and, if available, the circulation of minutes, on those of its activities and decisions that should be brought to the attention of the Board.
- 8.5. The Chair will report to the Chair of any other Board Committee, at the earliest possible time, any matters that in the opinion of the Committee should be brought to the attention of that other Board Committee.
- 8.6. The Committee may refer any relevant matters to another Board Committee for consideration and determination by that Committee.

9. Limitations

- 9.1. Without limiting the Committee's responsibilities as described in this Charter, neither the Committee as a committee nor any member of it by virtue of being a member, has the duty to seek out activities occurring within ME that are not compliant with ME's policies and procedures, although they have a duty to act promptly if any such activity comes to their attention.