



# Risk Committee Charter

## Bank of Queensland Limited

### 1. Purpose

- 1.1 The purpose of the Risk Committee (**Committee**) of the Board of Bank of Queensland Limited (**BOQ**) is to assist the Board to effectively discharge its responsibilities in respect of the following matters:
- (a) the risk profile, risk appetite and risk culture of the BOQ Group;
  - (b) in respect of both financial risks and non-financial risks, the risk management framework and the management of risk within the BOQ Group;
  - (c) BOQ Group's compliance with applicable codes, legislation, regulations and prudential standards;
  - (d) new and emerging risks, and the implications of organisational change and regulatory change; and
  - (e) risk based controls to mitigate the risks associated with anti-money laundering and counter-terrorism financing obligations.

### 2. Composition

- 2.1 The Board will appoint all members of the Committee, including the Chair of the Committee.
- 2.2 All independent Non-Executive Directors are members of the Committee.
- 2.3 The Committee Chair must be an independent Non-Executive Director. The Chair of the Board or the Audit Committee must not be the Committee Chair.
- 2.4 The Committee Chair is responsible for:
- (a) leading the Committee and overseeing processes for the Committee's performance of its role in accordance with this Charter;
  - (b) ensuring the Committee constructively challenges management's proposals and decisions on aspects of risk management and compliance matters arising from the BOQ Group's activities;
  - (c) encouraging discussion and debate by the Committee in an open and inclusive manner;
  - (d) setting the agenda for meetings with the Company Secretary and ensuring that appropriate time is given to matters brought to the Committee, including the calling of additional meetings as may be necessary; and
  - (e) liaising with the Group CRO to ensure the Committee has the information necessary to enable effective decision-making.
- 2.5 If the Committee Chair is absent from a meeting, the members of the Committee present will appoint a Chair for that meeting.

- 2.6 BOQ Group's Company Secretary, his or her designated representative, or such other person as the Committee may nominate, will act as Committee Secretary.

### **3. Responsibilities of the Committee**

In performing its role, the responsibilities of the Committee include, but are not limited to:

#### Three Lines of Defence

- 3.1 Overseeing the embedment and effectiveness of the Three Lines of Defence (**LOD**) framework and approach, which clearly articulates roles and responsibilities across the Group.

#### Risk Management Strategy

- 3.2 Monitoring BOQ Group's risk management framework and risk profile (current and future) and controls with regard to risk appetite and capital strength and overseeing the drafting and refining of BOQ Group's Risk Appetite Statement and Risk Management Strategy and making recommendations to the Board in relation to the BOQ Group's risk profile, Risk Appetite Statement and Risk Management Strategy.
- 3.3 Support the BOQ Board in its oversight of risk culture:
- (a) Endorse the risk culture framework for Board approval, and oversee the implementation and effectiveness of the risk culture framework;
  - (b) Monitor BOQ Group's risk culture and the extent to which organisational culture supports the ability of the BOQ Group to operate consistently within its risk appetite, including by identifying desirable changes to the risk culture and ensuring the BOQ Group takes steps to address those changes;
  - (c) Make appropriate recommendations to the Board and report to the Board on the risk culture of the BOQ Group to assist the Board in forming a view on risk culture; and
  - (d) Make recommendations to the People, Culture and Remuneration Committee on culture improvement areas, as they relate to risk culture and/or performance of the risk management framework.
  - (e) Report to the People, Culture and Remuneration Committee with respect to risk behaviours so that the People, Culture and Remuneration Committee may make recommendations to the Board regarding consequence management.
- 3.4 Monitoring and reviewing management's performance against the BOQ Group's risk management framework, including whether management is operating within the strategic objectives, risk appetite and risk policies approved by the Board and making recommendations to the Board on the adequacy of, and any revisions needed to, the Group risk management framework.
- 3.5 Reviewing the findings of the independent review of the appropriateness, effectiveness and adequacy of the Group risk management framework, which is undertaken at least every three years in accordance with APRA Prudential Standard CPS 220.
- 3.6 Overseeing risks inherent in BOQ Group's operations and recognising uncertainties, limitations and assumptions attached to the measurement of each risk including modelled assumptions. Such oversight will include (but is not limited to) the categories of risk outlined in this Charter and matters as applicable to the business operations and risk management framework of each company. These matters are not exhaustive and may change from time to time.

- 3.7 Overseeing that sufficient resources and skills are dedicated to risk management.
- 3.8 Overseeing that the operational structure of the BOQ Group facilitates effective risk management.
- 3.9 Receiving and reviewing reports from management or any Board Committee regarding:
  - (a) any significant breaches, or material deviation from, the Group's risk management framework; and
  - (b) resolutions to risk matters and incidents, and monitoring management's remediation plans.

#### Market Risk

- 3.10 Reviewing and recommending to Board:
  - (a) the policies which form BOQ Group's market risk management framework; and
  - (b) key policies and limits supporting market risk, in light of BOQ Group's risk appetite.
- 3.11 Monitoring and recommending to Board:
  - (a) BOQ Group's market risk performance and exposure against limits; and
  - (b) interest rate and foreign exchange performance and exposure.

#### Liquidity Risk

- 3.12 Reviewing and recommending to Board:
  - (a) the policies which form BOQ Group's liquidity risk management framework;
  - (b) development of appropriate liquidity risk policies; and
  - (c) funding plan for the BOQ Group.
- 3.13 Monitoring and recommending to Board:
  - (a) BOQ Group's liquidity position and requirements; and
  - (b) BOQ Group's funding plan and funding requirements..

#### Balance Sheet Risk

- 3.14 Reviewing and recommending to Board:
  - (a) BOQ Group's position in relation to management of interest rate risk;
  - (b) management and structure of balance sheet;
  - (c) management of capital adequacy;
  - (d) the effectiveness of systems and policies that are in place to manage structural interest rate risk; and
  - (e) the balance sheet management policies.

- 3.15 Monitoring and recommending for approval by the Board the Internal Capital Adequacy Assessment Process (**ICAAP**), including:
- (a) reviewing the outcomes of stress testing;
  - (b) setting target capital ranges for regulatory capital, having regard to BOQ Group's internal measures and business plans;
  - (c) reviewing capital levels for consistency with the risk appetite; and
  - (d) the implementation of the ICAAP by management.

#### Credit Risk

- 3.16 Reviewing and recommending to Board:
- (a) the policies which form BOQ Group's credit risk management framework;
  - (b) the credit risk profile, risk appetite, performance and management of BOQ Group's credit portfolio;
  - (c) key credit risk policies, credit strategies and credit scorecards supporting the credit risk management framework;
  - (d) credit limits, risk ratings, exposure limits, stress tests, concentration ratios, large exposures and conditions (where not able to be approved by the Committee); and
  - (e) assessment of macro-economic trends for BOQ Group's portfolio, including scenario and stress testing.

#### Operational Risk

- 3.17 Monitoring the performance of operational risk management and controls.
- 3.18 Reviewing and recommending to Board:
- (a) the BOQ Group's Operational Risk Management Framework; and
  - (b) the development and ongoing appropriateness of operational risk policies.
- 3.19 Reviewing and recommending to Board other operational risks, including:
- (a) occupational health and safety issues;
  - (b) environmental sustainability and social risks;
  - (c) Enterprise Continuity Management (comprising business continuity management, crisis management and disaster recovery, and technology/system risk); and
  - (d) financial crime risk performance and controls (including in respect of anti-bribery and corruption).
- 3.20 Reviewing reports from management concerning the BOQ Group's annual insurance strategy, including the performance of the insurance broker, adequacy of coverage and limits of insurance policies, and associated costs. Reviewing and reporting to the Board on all material aspects of the BOQ Group's insurance program, including making recommendations on the engagement of the insurance broker and reporting on any major insurance claims arising or made by the BOQ Group.

### Compliance Management

- 3.21 Overseeing the establishment and maintenance of risk-based controls to mitigate the risks associated with money laundering and terrorism financing and making recommendations to Board on any necessary actions. Reviewing material incidents involving fraud or a breakdown of risk controls and making recommendations to the Board on proposed changes to internal policies and procedures to prevent future occurrences and breaches.
- 3.22 Reviewing and making recommendations to the Board on the Compliance Management Framework.
- 3.23 Reviewing and recommending to Board:
  - (a) the adequacy and effectiveness of the program of compliance established within the BOQ Group;
  - (b) the compliance risk processes that are in place to anticipate and effectively manage the impact of legal and regulatory change on BOQ Group's operations;
  - (c) the scope and depth of compliance review activities and the resulting impact any review findings have on the risk profile of the BOQ Group; and
  - (d) the nature and effectiveness of action plans implemented to address identified compliance weaknesses.

### Emerging and Change Risks

- 3.24 Reviewing any changes anticipated for the economic and business environment, including consideration of new and emerging sources of risk and other factors relevant to BOQ Group's risk profile.
- 3.25 Overseeing the establishment of risk based controls to mitigate emerging sources of risk.

### Technology and Cyber Risks

- 3.26 Overseeing the appropriateness and effectiveness of the BOQ Group's technology and cyber security risk management framework and risk appetite, including the adequacy of its ability to deal with emerging technology risks.
- 3.27 Overseeing the risks associated with technology-related transformation and data-related programs.

### Group Chief Risk Officer

- 3.28 Recommending to the Board the appointment and removal of the Group Chief Risk Officer (Group **CRO**), and making the appointment and removal of the Group CRO subject to prior endorsement by the Committee. In the event that the Committee endorses the removal of the Group CRO, the Committee will ensure notification is provided to APRA outlining the reasons for removal as soon as practicable (and no more than 10 days) following that decision.
- 3.29 Set the objectives for, and review the performance and effectiveness of, the Group CRO.
- 3.30 Support the independence of the Group CRO who will be involved in, and have the authority to, provide effective challenge to activities and decisions that may materially affect the Group's risk profile. The Group CRO has a direct reporting line to the MD & CEO and regular and unfettered access to the MD & CEO, Committee Chair, the members of the Risk Committee and the Board.

### Other Responsibilities

- 3.31 Overseeing APRA statutory reporting requirements pertaining to risk matters, including reviewing the annual declaration to APRA on risk management and dealing promptly with APRA reviews.
- 3.32 Overseeing and reporting to the Board on the progress of the remedial action plans against the matters set out in the enforceable undertakings with APRA and AUSTRAC.
- 3.33 Overseeing the adequacy of internal risk monitoring and reporting requirements.
- 3.34 Overseeing BOQ Group's Stress Test and scenario testing framework.
- 3.35 Reviewing and making recommendations to the People, Culture & Remuneration Committee and Board on the risk management key performance indicators included in the performance plans for BOQ Group Executives and senior management.
- 3.36 Regularly reviewing and receiving reports from the Chair of the People, Culture and Remuneration Committee on relevant culture matters that should come to the attention of the Committee, including initiatives and insights that may affect risk culture and/or performance of the risk management framework.
- 3.37 Regularly reviewing and receiving reports from the Chair of any other relevant Committee on relevant governance and accountability matters that should come to the attention of the Committee for the purpose of evaluating risk culture.
- 3.38 Regularly reviewing and receiving reports from the Chair of the Audit Committee and the Chair of the any subsidiary company Committee on relevant audit, and/or risk, matters that should come to the attention of the Committee, including the adequacy of BOQ Group's processes for managing risk.

## **4. Meetings**

- 4.1 The Committee will meet a minimum of four times per financial year and otherwise as often as is necessary to fulfil its responsibilities.
- 4.2 Meeting dates and times are to be determined by the Committee Chair. However, any Committee member may call a Committee meeting at any time. On the request of a Committee member, the Committee Secretary must convene a meeting of the Committee, provided that reasonable notice is given to all Committee members.
- 4.3 The Committee may meet the with Group CRO for private discussion without management present as required.
- 4.4 The agenda for Committee meetings will:
  - (a) be prepared by the Committee Secretary and approved by the Committee Chair; and
  - (b) include items required by this Charter and any other items requested by Committee members, the Group CRO, or management and approved by the Committee Chair.
- 4.5 Committee meeting papers should be distributed to Committee members prior to each meeting in sufficient time to enable Committee members to read the papers and properly prepare for the meeting. The Committee Secretary will endeavour to ensure that, to the extent practicable, Committee meeting papers are distributed at least 7 days prior to each meeting.
- 4.6 A quorum for any Committee meeting will be one half of the members of the Committee (rounded upwards if not a whole number).

- 4.7 The Committee may adopt any rules and regulations as it considers appropriate to conduct its activities, provided they do not conflict with BOQ's Constitution, this Charter or any resolution of the Board.

## **5. Attendance by non-members**

- 5.1 Each Board member who is not a member of the Committee will receive all Committee meeting papers and may attend all Committee meetings. The Chief Risk Officer must be invited to attend all relevant sections of the Committee meeting.
- 5.2 The Managing Director & CEO, Chief Financial Officer, Head of Internal Audit, the external auditor and representatives of management may be invited to attend meetings as required. Other external parties to the BOQ Group may also be invited to attend any Committee meeting.
- 5.3 Non-members in attendance at Committee meetings will have no voting rights and may be asked to withdraw from all or any part of a Committee meeting.

## **6. Reporting**

- 6.1 Minutes of Committee meetings will be circulated to all Board members.
- 6.2 The Committee Chair will provide regular reports to the Board in relation to its activities and make recommendations as appropriate.
- 6.3 The Committee will refer to the Audit Committee, People, Culture & Remuneration Committee or Transformation & Technology Committee any matters that have come to the attention of the Committee that are relevant for noting or consideration, or which should be dealt with by, the Audit Committee, People, Culture & Remuneration Committee or Transformation & Information Technology Committee.

## **7. Conflicts of interest**

- 7.1 The guidelines set out in BOQ's Board Charter or approved by the Board from time to time relating to declaring and dealing with conflicts of interests at a Board level apply to Committee meetings.

## **8. Access to management or other parties**

- 8.1 The Committee has free and unfettered access to senior management, risk and financial control personnel and any other internal or external parties (including the Head of Internal Audit and the external auditor) and information, and may make any enquiries, to fulfil its responsibilities.

## **9. Access to independent advice**

- 9.1 The Committee may seek independent advice in connection with fulfilling its responsibilities (including by engaging and receiving advice and recommendations from appropriate independent experts or consultants) at BOQ's expense, subject to obtaining the prior written approval of the Chair of the Board (such approval not to be unreasonably withheld). The engagement and any advice received will be independent of management.
- 9.2 Committee members are entitled to rely on information, advice and assurances provided by management on matters within their responsibility, and on the expertise of independent experts, as long as they are not aware of any grounds that would make such reliance on that independent advice inappropriate.

## **10. Committee performance**

- 10.1 The Committee will review its performance annually as part of the annual Board performance review and will report on the findings and any recommendations resulting from its review to the Board.

## **11. Review**

- 11.1 The Committee will review this Charter as required and at least annually and will recommend any amendments to the Board for approval.

## **12. Delegation to act**

- 12.1 The Committee may, in its discretion, delegate some or all of its responsibilities to the Committee Chair, the Chair of the Board, or a sub-committee of the Committee.
- 12.2 In exceptional circumstances, where it may not be possible to convene a quorum, the Committee Chair may review and approve matters where temporary changes are required to the Risk Appetite Statement or other risk settings. Such approvals are to be advised to the next meeting of the Committee.

## **13. Other**

- 13.1 Committee members will be available to meet with APRA and other regulators on request.
- 13.2 The Committee will perform any other responsibilities as determined by the Board from time to time.

**Date:** 6 July 2023