



Risk Committee Charter

A.1 Scope

A.1.1 Committee of the Board

The Risk Committee (“the Committee”) is a committee appointed by the Board of Directors of Bank of Queensland Limited, and also operates as the Group risk committee, and performs the functions outlined in this Charter, for each of the Bank’s subsidiaries that have operations requiring oversight by the Committee. The reference to the Board in this Charter means the Board of the Bank of Queensland Limited and/or the Board of each subsidiary, as applicable.

A.1.2 Purpose of the Committee

The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities to oversee the risk profile and the risk management framework of the Bank of Queensland Group (“the Bank”) to the Board. In this role the Committee has no executive responsibility, but is responsible for performing its duties in accordance with this Charter, and making recommendations to the Board of Directors on the effective discharge of its responsibilities for risk management (including but not limited to market, liquidity, credit and operational risk management) and for the management of the Bank’s compliance obligations.

The Committee has power to deal with, and where applicable resolve, determine and recommend, all matters falling within the scope of its purpose and duties as set out in this Charter and other matters that may be delegated by the Board to the Committee from time to time.

A.2 Objectives

The objectives of the Committee include the following:

- Recommending the risk profile and risk appetite of the Bank, for approval by the Board;
- Receiving and reviewing reports from management concerning the Bank’s risk management strategies, regulatory compliance and internal controls;
- Recommending principles, strategies, policies and processes for managing risk;
- Overseeing the process developed by management to identify principal risks, evaluating their potential impact, and implementing appropriate strategies to manage those risks;
- Receiving and reviewing reports from management regarding resolution of significant risk exposures and risk events;
- Reviewing and monitoring the risk implications of new and emerging risks, organisational change, regulatory change and major initiatives;
- Providing a formal forum for communication on risk and compliance matters between the Board and senior management; and
- Improving the efficiency of the Board by taking responsibility for tasks delegated to the Committee where such tasks should be discussed in sufficient depth.

A.3 Duties and Responsibilities

The Committee will recommend to the Board the parameters of the Bank's risk management strategy, monitor the Bank's risk profile with regard to risk appetite, determine the appropriate level and quality of capital by annual review and approval of the Bank's ICAAP Policy to be implemented by management, and oversee risks inherent in the Bank's operations. Such oversight will include (but is not limited to) the following categories of risk 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:

A.3.1 Market Risk

Market Risk includes the risk of loss due to changes in the general level of market prices, positions in interest rates, equity prices, foreign exchange rates and commodities, or other factors specific to the Bank. The responsibilities of the Committee include:

Reviewing and making recommendations to the Board in relation to:

- the Bank's Market Risk Management Framework;
- key policies and limits supporting market risk.

Monitoring and making recommendations to the Board in relation to:

- the Bank's market risk performance and exposure against limits; and
- interest rate and foreign exchange performance and exposure.

A.3.2 Liquidity Risk

Liquidity Risk is the risk that the Bank, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms. The responsibilities of the Committee include:

Reviewing and making recommendations to the Board in relation to:

- the Bank's Liquidity Risk Management Framework;
- development of appropriate liquidity risk policies; and
- funding plan for the Bank.

Monitoring and making recommendations to the Board in relation to:

- the Bank's liquidity position and requirements; and
- the Bank's funding plan and funding requirements.

A.3.3 Balance Sheet Risk

Balance Sheet Risk refers to the variability in value of interest rate products held by the Bank as a result of changes in interest rates. Liquidity, capital positioning, securitisation, asset and liability composition all influence Balance Sheet Risk. The responsibilities of the Committee include reviewing and making recommendations to the Board in relation to:

- the Bank's position in relation to management of interest rate risk;
- the Bank's position in relation to management and structure of balance sheet;
- the Bank's position in relation to management of capital adequacy;
- the effectiveness of systems and policies that are in place to manage structural interest rate risk; and
- the balance sheet management policies.

A.3.4 Credit Risk

Credit Risk means the risk that borrowers and transactional counterparties will default on their obligations, and includes the risk of loss of value of assets due to deterioration in credit quality. The responsibilities of the Committee include reviewing and making recommendations to the Board in relation to:

- the Bank's Credit Risk Management Framework;
- the credit risk profile, risk appetite, performance and management of the Bank's credit portfolio;
- key credit risk policies supporting the Credit Risk Management Framework;
- credit limits, risk ratings, exposure limits, stress tests, concentration ratios, large exposures and conditions; and
- assessment of macro-economic trends for the Bank's portfolio.

A.3.5 Operational Risk

Operational Risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The responsibilities of the Committee include:

Monitoring the performance of operational risk management and controls.

Reviewing and making recommendations to the Board in relation to:

- the Bank's Operational Risk Management Framework;
- development and ongoing appropriateness of operational risk policies;
- Occupational health and safety issues;
- Environmental sustainability;
- Enterprise Continuity Management (comprising business continuity management, crisis management and disaster recovery, and technology/system risk);
- Reports from management concerning the Bank's annual insurance strategy, including the adequacy of coverage and limits of insurance policies, and associated costs; and
- All aspects of the Bank's insurance program, including the performance of the corporate broker, making recommendations to the Board regarding the insurance broker, and provision of reports on any material matters arising out of the insurance program during the year, including all major insurance claims made by the Bank.

A.3.6 Compliance Risk

Compliance Risk means the risk to earnings of capital arising from violations of or non-conformance with laws, rules, regulations, prescribed practices or ethical standards. The responsibilities of the Committee include:

Overseeing the establishment and maintenance of risk based controls to mitigate the risks associated with money laundering and terrorism financing.

Reviewing and making recommendations to the Board in relation to:

- the adequacy and effectiveness of the program of compliance established within the Bank;
- the compliance risk processes that are in place to anticipate and effectively manage the impact of legal and regulatory change on the Bank's operations;
- the scope and depth of compliance review activities and the resulting impact any review findings have on the risk profile of the Bank; and

- the nature and effectiveness of action plans implemented to address identified compliance weaknesses.

A.3.7 Other Responsibilities

- Review and monitor the performance of other risk categories and types (as appropriate for the operations of the relevant company). For example, additional risk categories to be reviewed may include (but are not limited to):
 - In relation to life insurance companies, “life insurance risk” which means the risk that the company will be exposed to financial loss and be unable to meet its liabilities due to inadequate or inappropriate life insurance product design, pricing, underwriting, claims management or reinsurance management;
 - In relation to insurance companies, “insurance risk” which means the risk that the company will be exposed to financial loss and be unable to meet its liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, claims management or reinsurance management;
- Review any changes anticipated for the economic and business environment, including consideration of emerging trends and other factors relevant to the Bank’s risk profile;
- Review the adequacy of the Committee Charter and relevant risk management charters on an annual basis;
- Oversee APRA statutory reporting requirements pertaining to risk matters, and deal promptly with APRA reviews;
- Oversee adequacy of internal risk monitoring and reporting requirements;
- Review and recommend annual approval of internal risk charters (such as Credit Risk Review and Executive Credit Committee);
- Review and recommend annual approval of the Asset & Liability Committee Charter including responsibilities, segregation of duty and reporting requirements;
- Receive reports in line with an approved “Risk Reporting Agenda”, and review annually the appropriateness and frequency of the reports; and
- Regularly discuss and receive reports from the Chairperson of the Audit Committee on relevant audit matters that should come to the attention of the Risk Committee.

The Risk Committee will refer to the Audit Committee any matters that have come to the attention of the Risk Committee that are relevant for the Audit Committee for noting or consideration, or which should be dealt with by that Committee.

A.4 Meetings

A.4.1 Frequency

The Committee will meet at least four times per annum and otherwise as required.

The Chairperson of the Committee or the Chairperson of the Board may call a meeting of the Risk Committee at any time, or if so requested by any member of the Committee.

A.4.2 Meeting Planner

The Committee will approve at its last meeting each year, a Meeting Planner for the next year which identifies and allocates to a planned meeting on a set date in that year items of Committee business considered essential to the due performance of its role and discharge of its duties.

A.4.3 Quorum

A quorum will consist of two members.

Members of the Committee will be available to meet with APRA on request.

Representatives of management may be invited to attend part or all of any meeting of the Committee, unless the Committee determines otherwise. The Committee may request certain parties to withdraw from any part of a meeting.

A.4.4 Agenda and Minutes

The Committee Secretary, in conjunction with the Chairperson, will draw up the agenda for each meeting. The agenda and supporting documentation will be circulated to each member of the Committee and attendees at least one week prior to each meeting.

The Committee Secretary will prepare the Minutes of the Committee meetings within 7 days of the conclusion of each meeting. Draft minutes will be provided to the Chairperson of the Committee for review, prior to distribution to all Directors. The draft minutes will also be included in the papers for the next Board meeting.

A.4.5 Reporting

In addition to providing the Board with a copy of the minutes of its meetings, the Risk Committee will, through its Chairperson, report to the Board on its meetings, update the Board about material relevant to the Committee's role and make appropriate recommendations for approval by the Board.

A.5 Committee Membership

The Committee will comprise non-executive members of the Board of Directors with the majority of members being independent directors in the assessment of the Board under its Policy on Independence. The minimum number of members of the Committee is three.

Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with legislative, regulatory or other relevant issues. Members will be given the opportunity to attend risk management training associated with the Bank's risk management programs.

New members will be provided with a copy of the Committee's Charter and other specific information about the Bank.

The Committee (including the Chairperson of the Committee) will be appointed by the Board of Directors, following consideration of recommendations from the Nomination Committee. Membership of the Committee will be reviewed by Board on an annual basis.

The Managing Director, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, General Manager Risk, General Manager Credit, Treasurer and Company Secretary will be invited to attend meetings as required. Other management personnel will be invited to attend meetings as required.

A.6 Chairperson

The Chairperson of the Committee will be an independent non-executive Director of the Bank and be appointed by the Board. The Chairperson of the Board of Directors or the Audit Committee should not be the Chairperson of the Risk Committee.

Secretary

The Bank's Company Secretary or his/her designated representative shall be appointed Secretary to the Committee.