



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 and risk appetite of the BOQ Group;
 - (b) in respect of both financial risk and non-financial risk, the risk management framework and the management of risk within the BOQ Group;
 - (c) BOQ's compliance with applicable 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 The Committee must comprise of a minimum of three independent Non-Executive Directors. All Committee members must be Non-Executive Directors and a majority of the Committee must comprise independent Non-Executive Directors.
- 2.3 The Committee must include at least one member of the Audit Committee, at least one member of the People, Culture & Remuneration Committee and the Chair of the Information Technology Committee.
- 2.4 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.
- 2.5 The Committee Chair is responsible for leading the Committee and overseeing processes for the Committee's performance of its role in accordance with this Charter.
- 2.6 If the Committee Chair is absent from a meeting, the members of the Committee present will appoint a Chair for that meeting.
- 2.7 BOQ's Company Secretary, his or her designated representative, or such other person as the Board 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 the BOQ Group's risk profile and controls with regard to risk appetite (including BOQ's Risk Appetite Statement) and overseeing the drafting and refining of BOQ's Risk Appetite Statement and making recommendations to the Board in relation to the BOQ Group's risk profile and Risk Appetite Statement.
- 3.3 Monitoring the BOQ Group's risk culture and the extent to which the 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, including making appropriate recommendations to the Board.
- 3.4 Reporting to the Board on the risk culture of the BOQ Group to assist the Board in forming a view on risk culture.
- 3.5 Monitoring management's performance against the risk management frameworks, including whether management is operating within the risk appetite and making recommendations to the Board on the adequacy of and any revisions needed to the Group Risk Management Framework.
- 3.6 Overseeing risks inherent in the BOQ Group's operations. 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.

Market Risk

- 3.7 Reviewing and approving:
- (a) the policies which form the BOQ Group's Market Risk Management Framework; and
 - (b) key policies and limits supporting market risk, in light of the BOQ Group's risk appetite.
- 3.8 Monitoring and approving:
- (a) the BOQ Group's market risk performance and exposure against limits; and
 - (b) interest rate and foreign exchange performance and exposure.

Liquidity Risk

- 3.9 Reviewing and approving:
- (a) the policies which form BOQ's Liquidity Risk Management Framework;
 - (b) development of appropriate liquidity risk policies; and
 - (c) funding plan for BOQ.

3.10 Monitoring and approving:

- (a) BOQ's liquidity position and requirements; and
- (b) BOQ's funding plan and funding requirements (including compliance with APRA's regulatory requirements).

Balance Sheet Risk

3.11 Reviewing and approving:

- (a) BOQ'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.

3.12 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 the BOQ Group's internal economic capital measures;
- (c) reviewing capital levels for consistency with the risk appetite; and
- (d) the implementation of the ICAAP by management.

Credit Risk

3.13 Reviewing and approving:

- (a) the policies which form the BOQ Group's Credit Risk Management Framework;
- (b) the credit risk profile, risk appetite, performance and management of BOQ'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; and
- (e) assessment of macro-economic trends for BOQ's portfolio, including scenario and stress testing.

Operational Risk

3.14 Monitoring the performance of operational risk management and controls.

3.15 Reviewing and approving:

- (a) the BOQ Group's Operational Risk Management Framework; and
 - (b) the development and ongoing appropriateness of operational risk policies.
- 3.16 Reviewing and approving other operational risks, including:
- (a) occupational health and safety issues;
 - (b) environmental, sustainability and social risk, including climate change risk;
 - (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.
- 3.17 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.
- 3.18 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

- 3.19 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.
- 3.20 Reviewing and making recommendations to the Board on the Compliance Management Framework.
- 3.21 Reviewing and approving:
- (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 the 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

- 3.22 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's risk profile.
- 3.23 Overseeing the establishment of risk based controls to mitigate emerging sources of risk.

Technology and Cyber Risks

Receiving and reviewing reports, advice and recommendations from the Information Technology Committee on 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.

(For clarity, the Information Technology Committee has primary responsibility for oversight of the BOQ Group's technology risk management and security framework and its effectiveness. The Committee will remain responsible for second line of defence reports and reviewing first and third line of defence reports on technology risk, security and cyber security as part of its oversight of the enterprise risk profile and enterprise risk management framework.

Chief Risk Officer

- 3.24 Recommending to the Board the appointment and removal of the Chief Risk Officer, and making the appointment and removal of the Chief Risk Officer subject to prior endorsement by the Committee. In the event that the Committee endorses the removal of the 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.
- 3.25 Reviewing the performance of, and setting objectives for, the Chief Risk Officer.
- 3.26 The Chief Risk Officer has unfettered access to the Committee Chair.

Other Responsibilities

- 3.27 Overseeing APRA statutory reporting requirements pertaining to risk matters, and dealing promptly with APRA reviews.
- 3.28 Overseeing the adequacy of internal risk monitoring and reporting requirements.
- 3.29 Overseeing the BOQ Group's Stress Test and scenario testing framework.
- 3.30 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.
- 3.31 Regularly reviewing and receiving reports from the Chair of the Audit Committee and the Chair of the St Andrew's Group Risk 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 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 or management and approved by the Committee Chair.
- 4.4 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.
- 4.5 A quorum for any Committee meeting will be two independent Non-Executive Directors who, at any given time, are able to vote on the particular matter before the meeting at that time.
- 4.6 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 Managing Director & CEO, Chief Financial Officer, Chief Risk Officer, Head of BOQ Internal Audit, the external auditor and representatives of management may be invited to attend meetings as required.
- 5.2 Other members of management and/or 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 Information 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 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 will 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, 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.

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.

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: 31 August 2020