



# **Risk Committee Charter**

St Andrew's Insurance (Australia) Pty Ltd

St Andrew's Life Insurance Pty Ltd

St Andrew's Australia Services Pty Ltd

**Approver**

Board of Directors – St Andrew’s Group of Companies

**Owner**

St Andrew’s Board & Company Secretary

**Functional Owner**

Company Secretary

**Hierarchy Classification**

Level 1 Policy

**Cross-referenced documents**

- ICCAP Policy
- Reinsurance Policy
- Risk Appetite Statement
- Executive Management Committee Charter

Version	Approval Date	Author	Description
2	22 February 2016	Company Secretary	Annual Revision of Policy and amendments to meet requirements of the BOQ Group Policy Framework
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4	19 February 2018	Company Secretary	Annual Revision of Policy
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# 1 Scope

## 1.1 Committee of the Board

The Risk Committee performs the functions outlined in this charter, for each of the following entities that have operations which require oversight by the Risk Committee:

- St Andrew's Australia Services Pty Ltd
- St Andrew's Insurance (Australia) Pty Ltd
- St Andrew's Life Insurance Pty Ltd,

together, the **St Andrew's Group**.

The reference to the Board in the Charter means the Board of the St Andrew's Group and/or the Board of each entity referred to above. The reference to Directors means the Directors of the St Andrew's Group.

In relation to the St Andrew's Group, oversight by the Risk Committee of Bank of Queensland Limited (**BOQ**, the **Bank** or the **BOQ Group**) will be satisfied by way of the receipt of reports and updates, as agreed, from the Chair of the St Andrew's Group Risk Committee to the Chair of the BOQ Group Risk Committee.

### 1.1.1 Purpose of the Committee

The purpose of the Risk Committee is as follows:

- To assist the Board in the effective discharge of its responsibilities to oversee the risk profile and the risk management framework of the St Andrew's Group.
- To identify, manage, monitor and re-assess risk for the St Andrew's Group on a regular basis, commensurate with the objectives of ensuring that there is an acceptable balance between risk and return in the decisions made by the St Andrew's Group.

In this role, the Risk Committee has no executive responsibility. It is responsible for performing its duties in accordance with this Charter and making recommendations to the Board on the effective discharge of its responsibilities for risk management (including but not limited to insurance, investment and operational risk management) and for the management of the St Andrew's Group compliance obligations.

In this role, the Risk Committee has the delegated authority from the Board to approve and oversee the processes and resources used to identify, evaluate and manage risk.

## 1.2 Objectives

The objectives of the Risk Committee include the following:

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- Ensuring appropriate principles, strategies, policies and processes for managing risk so as to ensure those adopted are of sufficient quality and of an appropriate standard.
- Ensuring that the St Andrew's Group complies with applicable legislation, rules and regulations.
- Ensuring the development and promotion of a risk based culture and the achievement of a balance between risk and reward is accepted across the St Andrew's Group.
- Overseeing the process developed by management to identify principal risks, evaluating their potential impact, and implementing appropriate strategies to manage those risks.
- Providing a formal forum for communication on risk and compliance matters between the Board and senior management.
- Improving the efficiency of the Board by reviewing risk related matters requiring in depth discussion.

- Receiving reports from Group Assurance on its reviews of the adequacy of the St Andrew's processes for managing risk.

## **1.3 Duties and Responsibilities**

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The Risk Committee will recommend to the Board and the BOQ Group Risk Committee, the parameters of the St Andrew's Group's risk management strategy. As the Risk Committee of a wholly-owned subsidiary of the BOQ Group, the Risk Committee shall be able to rely on the management resources of both the BOQ Group and the St Andrew's Group in managing risks across the St Andrew's Group.

### **1.3.1 Risk Appetite**

As part of this process, the Risk Committee will monitor the St Andrew's Group's risk profile with regard to risk appetite and oversee the drafting and refining of the St Andrew's Group's Risk Appetite Statement. The Risk Committee will make recommendations to the Board in relation to the risk appetite for the St Andrew's Group. The Risk Committee will monitor management's performance against the risk management framework including whether it is operating within the risk appetite set by the Board.

The Risk Committee will:

- receive and review reports from management concerning breaches or material deviation from the risk management framework (including any material incident involving fraud), the St Andrew's Group's risk management strategies, regulatory compliance and internal controls and ensure appropriate improvements are implemented;
- receive and review reports from management regarding the resolution of significant risk exposures and risk events;
- review and monitor the risk implications of organisational change, regulatory change and major initiatives and new and emerging sources of risk and the risk controls and mitigation measures that Management has put in place to deal with those risks.

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### **1.3.2 Risk Culture**

The Risk Committee will monitor St Andrew's Group risk culture and the extent to which the culture supports the ability to operate consistently within its risk appetite, identify desirable changes to the risk culture and ensure that St Andrew's takes steps to address those changes. The Risk Committee will report to the Board on the risk culture to assist the Board in forming a view on risk culture. The Risk Committee will receive reports from Group Assurance on its reviews of the adequacy of the St Andrew's processes for managing risk.

### **1.3.3 ICAAP**

The Risk Committee will recommend, for approval by the Board, the St Andrew's Group's ICAAP Summary Statement to be implemented by Management, and oversee risks inherent in the St Andrew's Group'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:

### **1.3.4 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 Risk Committee include:

- Monitoring the performance of operational risk management and controls.
- Reviewing and making recommendations to the Board in relation to:
  - the St Andrew's Group's Operational Risk Management Framework (which is to align with the BOQ's Group Operational Risk Management Framework. Any significant deviations require approval from the BOQ Group);
  - the 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); and
- reports from the BOQ Group concerning the St Andrew's Group's annual insurance strategy, including the adequacy of coverage and limits of insurance policies, and associated costs, and all major insurance claims made by the St Andrew's Group.

### **1.3.5 Insurance Risk**

Insurance Risk 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.

The responsibilities of the Risk Committee in regards to insurance include:

- monitoring the performance of insurance risk management and controls.
- reviewing and making recommendations to the Board in relation to insurance risk management and policies.

### **1.3.6 Investment Risk**

Investment risk means the risk associated with investing funds that could result in negative investment returns, loss of capital or inconsistency in the availability of funds required for operational purposes.

The responsibilities of the Risk Committee are to:

- monitor the performance of investment risk management controls.
- review and recommend to the Board investment risk management and policies.

### **1.3.7 Compliance Risk**

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

The responsibilities of the Risk Committee are to review and recommend to the Board the:

- adequacy and effectiveness of the compliance program established within the St Andrew's Group;
- compliance risk processes that are in place to anticipate and effectively manage the impact of legal and regulatory change on the St Andrew's Group's operations;
- scope and depth of compliance review activities and the resulting impact any review findings have on the risk profile of the St Andrew's Group; and
- nature and effectiveness of action plans implemented to address identified compliance weaknesses.

### **1.3.8 Chief Risk Officer**

The responsibilities of the Risk Committee are to:

- Recommend to the Board the appointment and removal of the Chief Risk Officer; and
- Reviewing the performance of, and setting objectives for, the Chief Risk Officer.

The Chief Risk Officer has unfettered access to the Risk Committee Chair.

### **1.3.9 Other Responsibilities**

- Review any changes anticipated for the economic and business environment, including consideration of emerging trends and other factors relevant to the risk profile.
- Review the adequacy of the Committee Charter and relevant risk management charters on an annual basis.
- Oversee adequacy of the internal risk management, monitoring and reporting processes, including reviewing any relevant assurance reviews on these processes.

- Review and recommend annual approval of internal risk charters (i.e. Risk Management Committee).
- Oversee APRA statutory reporting requirements pertaining to risk matters, and deal promptly with APRA reviews.

The Chief Risk Officer of the BOQ Group and the BOQ Risk Committee will refer to the St Andrew's Group Risk Committee any matters that have come to the attention of the BOQ Group Risk Committee that are relevant for the St Andrew's Group Risk Committee for noting or consideration, or which should be dealt with by that Committee.

## 1.4 Meetings

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### 1.4.1 Frequency

The Risk Committee will meet at least four times per annum and otherwise as required. Two of the meetings must be prior to Board meetings at which the Bank's consolidated Half-Year and Annual Financial Reports are adopted.

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. The Risk Committee may request certain parties to withdraw from any part of a meeting.

### 1.4.2 Meeting Planner

The Risk Committee will discuss and agree 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 Risk Committee business considered essential to the due performance of its role and discharge of its duties.

### 1.4.3 Quorum

A quorum will consist of two independent, non-executive directors.

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

Representatives of Management from both the St Andrew's Group and the BOQ Group may be invited to attend part or all of any meeting of the Risk Committee, unless the Risk Committee determines otherwise. The Risk Committee may request certain parties to withdraw from any part of a meeting.

## 1.5 Agenda and Minutes

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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 Risk Committee and attendees at least one week prior to each meeting.

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

### 1.5.1 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 Risk Committee's role and make appropriate recommendations for approval by the Board.

## 1.6 Committee Membership

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

Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with legislative, accounting or other relevant issues.

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

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

The Chief Executive, Chief Financial Officer, Chief Actuary, Chief Risk Officer, and Chief Risk Officer of the BOQ Group will be invited to attend meetings as required. Other management personnel will be invited to attend meetings as required.

## **1.7 Chairperson and Secretary**

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### **1.7.1 Chairperson**

The Chairperson of the Risk Committee will be an independent non-executive Director of the St Andrew's Group and will be appointed by the Board of the Bank. The Chairperson of the Board of Directors of the St Andrew's Group must not be the Chairperson of the St Andrew's Group Risk Committee.

The Chairperson of the Risk Committee should report formally to the Board with a summary of the Committee's work and results. This should include the Risk Committee's meetings, any formal recommendations of the Risk Committee and other major issues of which the Risk Committee believes the Board should be informed.

The Chairperson of the Risk Committee is involved in the selection process for the appointment of the St Andrew's Group Chief Risk Officer

### **1.7.2 Secretary**

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