

Charter Name:	Board Risk Committee
Approver/Custodian:	Board/Group Operational Risk & Compliance
Review Cycle:	Every 2 years or as required
Last Review Date:	September 2020

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## Notes

Reason for Charter	The Corporations Act and APS 510 state that the Board of directors (the Board) of a regulated institution is ultimately responsible for the sound and prudent management of the regulated institution. The Board has established standing Committees to assist the Board's decision making, supervision and control of the organisation with respect to audit, governance and risk matters.
Charter Summary	This document sets out the authority, responsibilities, membership of Cuscal's Board Risk Committee.





## 1. Objectives

Recognising and managing risk is a key strategic objective for Cuscal. Sound risk management assists to protect established value and enable opportunities to create value.

The Board Risk Committee is appointed and authorised by the Board, to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities. As such, the objectives of the Board Risk Committee are to:

1. Work with management to develop the company's risk appetite and risk management strategy for approval by the Board;
2. Monitor and oversee the company's performance against the approved risk appetite statement;
3. Monitor Managements implementation of the risk management strategy and performance of the risk management framework over material business, financial, security and compliance risks and obligations;
4. Promote a sound risk culture at Board, and Executive levels within the company;
5. Work with other Board Committees, as part of the group risk management framework, to oversee key risk management issues including any emerging risks;
6. Provide a forum for communication between the Board, senior management and risk management; and
7. Evaluate the implications of material business initiatives from a strategic risk viewpoint. Without limiting the Committee's scope, this shall include any proposals to expand the Company's operations through the acquisition of significant new clients or the acquisition or development of new businesses, including mergers and like transactions.
8. Provide prior endorsement and APRA notification for the appointment or removal of Cuscal's CRO as well as reviewing the CRO's objectives and performance;

Appendix A to this Charter outlines the areas of responsibility for the Board Risk Committee.

## 2. Membership

The Board Risk Committee shall comprise at least three members, all of whom are non-executive Directors.

Each member should be capable of making a valuable contribution to the Board Risk Committee, must be financially literate and have competencies in risk management. At least one member should have relevant ADI/financial services industry expertise.

The Board shall seek guidance from the Board Governance Committee on recommended appointments to the Board Risk Committee. The Board will appoint members annually.

The Chairman of the Board Risk Committee will be an independent Director as nominated by the Board from time to time. The Chair of the Risk Committee should be a member of the Audit Committee and the Chair of the Audit Committee should be a member of the Risk Committee.

Board Risk Committee members must be available to meet with APRA on request.

If considered appropriate, the Chairman of the Board may be an ex officio, non-voting member of the Committee but cannot be the Chairman of this Committee.

## 3. Invitees

The following senior managers are invitees to the Board Risk Committee meetings:

- ❑ Managing Director;
- ❑ Chief Risk Officer;
- ❑ Chief Financial Officer;





- ❑ Chief Client Officer.

Other senior managers may be invited as appropriate.

## 4. Meetings

The Board Risk Committee shall hold at least four meetings per year and may meet whenever necessary as the Chairman shall decide. A quorum shall consist of a majority of members. Upon approval by the Committee's Chairman, members may attend meetings by electronic means.

In the Chair's absence, the members present at the meeting may elect a Chair for the meeting. Any matters requiring a decision will be decided by majority vote by the members present.

The notice and agenda of the meeting sent should include relevant supporting papers as appropriate.

## 5. Minutes

One of Cuscal's employees will be appointed to keep minutes of meetings in the standard Cuscal format. The Chair shall approve draft minutes for inclusion in the Cuscal Board papers in a timely manner.

## 6. Duties & Responsibilities

The duties and responsibilities of the Board Risk Committee shall be to recommend to the Board the setting and review of the appropriate risk appetite for Cuscal.

In addition, the Board Risk Committee will review and approve within its delegations or endorse for the Board's approval all non-management policies supporting:

- ❑ Credit Risk (including large exposures);
- ❑ Operational Risk including information security and cyber risks;
- ❑ Business risk, including emerging and non-financial risks
- ❑ Market Risk;
- ❑ Interest Rate Risk;
- ❑ Securitisation Risk
- ❑ Liquidity Risk;
- ❑ Credit Quality Risks;
- ❑ Large Exposure Risks;
- ❑ Strategic Risks (including consideration of the APS 310 Annual Attestation);
- ❑ Reputation Risk
- ❑ Capital Adequacy;
- ❑ Measurement of Capital.

Cuscal implements its Risk Management Framework in accordance with the Three Lines of Defence approach to risk management:

- ❑ First line of defence: Management and control system.
- ❑ Second line of defence: Independent Risk Management.
- ❑ Third line of defence: Internal and External Audit.





The Board Risk Committee is aligned with the second line of defence of Cuscal’s overall risk management framework as described in this Board Charter. In alignment with the second line of defence, the Board Risk Committee is responsible for recommending risk appetite to the Board and overseeing the management of risk throughout the organisation.

The Board Risk Committee shall work with the Board Audit Committee to allocate oversight responsibility in accordance with the following principles:

Matters to be referred to the Board Risk Committee	Matters to be referred to the Board Audit Committee
<p><b>Risk Appetite &amp; Strategy</b> – Oversight and approval of the risk appetite and risk management strategy of Cuscal in view of its Board approved strategy.</p> <p><b>Risk Management Activities</b> – Oversight of the risk management framework and implementation of the risk management strategy including risk management activities and reporting produced by management and the risk management function (current and emerging strategic, operational, credit, market etc.).</p> <p><b>Internal Audit</b> – Oversight of the work plan relative to risk management and internal controls reviews</p> <p><b>BCP, Disaster Recovery</b> – Oversight of the development and maintenance of Cuscal’s business continuity plan (BCP) and disaster recovery plan (DRP)</p> <p><b>Information Security</b> -Oversight of Information security risk posture of the organisation in line with its business operations and threat landscape</p> <p><b>Regulatory and Legal Compliance</b> – Oversight of Cuscal’s legal and regulatory compliance framework and relevant risk management policies</p>	<ul style="list-style-type: none"> <li>❑ <b>Financial Reporting</b> – Oversight of periodic financial reporting of the results of operations.</li> <li>❑ <b>Regulatory Reporting</b> – Oversight of periodic reporting to regulators and the appropriateness of Cuscal’s response to regulatory inspection comments.</li> <li>❑ <b>Internal Audit</b> – Oversight of the appointment, independence, and access of internal audit. The Committee will review Internal Audit reports that relate to reviews over financial controls.</li> <li>❑ <b>External Audit</b> – Oversight of the appointment, independence, activities and access of external audit.</li> <li>❑ <b>Taxation</b> – Oversight of Cuscal’s tax compliance and filing.</li> </ul>

## 6.1. Responsibilities

The responsibilities of the Board Risk Committee include:

### 6.1.1. Risk Appetite

- a. Oversee development of a risk appetite statement and risk strategy. Assess the adequacy of target risk exposures and limits with respect to Cuscal’s business intentions and overall appetite to accept risk. This shall include the evaluation of the intended mitigates designed to ensure inherent risks are managed to within Cuscal’s approved risk appetite;
- b. Endorse risk appetite statement and recommend to the Board.





### 6.1.2. Risk Management Activities

- a. Review the development and implementation of the reporting framework and monitor risk reporting trends and issues;
- b. Review and assess the adequacy of the management of current and emerging strategic, reputational, operational, IT, financial and tax risks;
- c. Review and endorse operational, capital and strategic risk management frameworks for Board approval;
- d. In accordance with the relevant Operational Risk Management, Capital Management and Strategic Risk Management policies, the Committee will review, endorse and/or approve credit proposals falling outside of Management's delegated lending authority including large exposures.

Review and oversee;

- a. Current and emerging material risks arising from proposed business initiatives, external threats and proposals to expand the Company's operations (including new products), as well as Regulatory and Industry developments, Competitor and other external activities etc;
- b. Cuscal's policies and their consistency with regulatory requirements;
- c. Relevant compliance processes with regulatory and/or statutory requirements
- d. Cuscal's code of business conduct and ethics;
- e. Cuscal's Business Continuity Plan, material outsource arrangements and the disaster recovery plan;
- f. Cuscal's Information Security control framework and understanding of emerging threats.
- g. Board Risk Committee, ALCo and ERCo member's compliance with applicable independence rules and relevant regulations; and
- h. The performance of, objective setting and succession planning of the Chief Risk Officer, ensuring the role has access to the Board and Committee. A member of the BRC or nominated delegate must advise APRA of reasons for CRO removal within 10 Business Days.

On each of the above, ensure the Board is appraised through the minutes of the meeting.

### 6.1.3. Capital

The Board Risk Committee will review:

- a. The adequacy of Cuscal's capital (economic, regulatory, and rating agency) and its allocation of the Group's business;
- b. Cuscal's public disclosures (capital only);
- c. Capital servicing proposals, capital structure, appropriate levels of capital, allocation of capital to Cuscal's businesses, and dividend payment impacts on Cuscal capital and provide recommendations to the Board.

### 6.1.4. Other

- a. Consider other matters, as referred to the Board Risk Committee by the Board;
- b. Request and review special reviews or investigations as may be necessary;
- c. Have such other responsibilities as are required by applicable law or regulation.

## 7. Authority and Access

The Cuscal Board authorises the Board Risk Committee to:





- d. Perform activities within its charter;
- e. Have access to both Risk Management and senior management, the heads of all risk management functions (including the internal and external auditor), and vice versa, as well as seek any information it requires from any employee (and all employees are directed to co-operate with any request made by Committee Members) via the Managing Director or Senior Management;
- f. Seek any information it requires from internal and external auditors
- g. Obtain outside legal or other professional advice to assist in undertaking its responsibilities;
- h. Carry out investigations on behalf of the Board
- i. Organise meetings without Cuscal employee participation

The Committee shall have access to the Company Secretary.

## 8. Reporting

The Board Risk Committee shall record proceedings of each meeting and provide a report to the Board, in a form agreed by the Chairman of the Board.

Cuscal's annual report shall include a statement describing the responsibilities and activities of the Committee.

## 9. Relationships

The Board Risk Committee will:

- a. Take advice and where relevant receives reports from the Executive Group, Management's Asset & Liability Committee ("ALCo") and the Enterprise Risk & Compliance Committee ("ERCo");
- b. The Chair of the Committee will liaise at least annually with the Chair of the Board Audit Committee to oversee key Risk Management issues, policies and processes;
- c. Make recommendations to the Board on the company's overall risk framework and the appropriateness of risk appetite weighed against business performance. The Board Risk Committee will work with the Board Audit Committee on policy proposals as they relate to the Committee; and
- d. Have an understanding of the compliance requirements within the prudential regulation requirements from APRA in relation to the Board Risk Committee's activities;  
Where considered necessary or appropriate by the Board Risk Committee and having regard to the responsibilities of the Board Audit Committee, the Board Risk Committee may seek or take advice from Cuscal's internal and external auditors.

## 10. Committee's Performance Evaluation

The Committee will review its performance annually and report the review results to the Board.





## Appendix A – Roles and Responsibilities

Roles and Responsibilities	Examples of Committee reports / documents	Related APRA responsibilities	Frequency				
				March	June	September	December
<b>General Responsibilities</b>							
Monitor risk committee members' compliance with applicable independence rules and regulations Monitor ALCo and ERCo members' compliance with applicable independence rules and regulations	Annual report to Committee	CPS 510 <i>Governance</i> CPS 520 <i>Fit and Proper</i> APS 222 <i>Associations with Related Entities</i>	Annually		✓		
Report to the Board regarding the execution of the Risk Committee's duties and responsibilities	Risk Committee Minutes		Quarterly	✓	✓	✓	✓
Review Risk Committee Charter	Charter	CPS 220 <i>Risk Management</i> CPS 510 <i>Governance</i>	Every 2 years or as required				
Review, with management, Cuscal's risk management function (budget, organisation and personnel)	Budget		Annually		✓		
<b>Management Committees</b>							
Review advice and receive reports from Asset and Liability Committee (ALCo) and the Enterprise Risk & Compliance Committee ("ERCo")	ALCo Summary ERCo Summary Trading Book Report (trading & market outlook, market risk and credit risk) Banking Book Report (credit exposures report) Credit submissions Risk report	APS 112 <i>Credit Risk</i> APS 114 <i>Operational Risk</i> APS 116 <i>Market Risk</i> APS 117 <i>Int Rate Risk</i> APS 120 <i>Securitisation</i> APS 210 <i>Liquidity</i> APS 220 <i>Credit Quality</i> APS 221 <i>Large Exposures</i> CPS 220 <i>Risk Management</i>	Every meeting	✓	✓	✓	✓





Roles and Responsibilities	Examples of Committee reports / documents	Related APRA responsibilities	Frequency	March	June	September	December
Review the adequacy of Cuscal's capital (economic, regulatory, and rating agency) and its allocation of the Group's businesses	Capital Report Capital Plan (annually) ICAAP Report	APS 110 <i>Capital Adequacy</i> APS 111 <i>Measurement of Capital</i>	Every meeting	✓	✓	✓	✓
<b>Risk Appetite &amp; Policy</b>							
Review the Board Statement of Risk Appetite for approval by the Board and monitor the risk profile of Cuscal for consistency with this risk appetite	Risk Appetite Statement	CPS 220 <i>Risk Management</i> CPS 510 <i>Governance</i>	Annually (or as needed)				✓
Review Cuscal's Key Risk Management Policies and framework	Various Risk Mgmt. frameworks and Policies	CPS 220 <i>Risk Management</i> CPS 510 <i>Governance</i>	Annually as per Risk Mgmt. Policy review timetable	✓	✓	✓	✓
Review Annual declaration on Cuscal's risk profile and risk management framework including recommendations to the Board	Various policies and procedures	APS 310 Audit & related matters CPS 220 <i>Risk Management</i> APS 910 <i>Financial Claims Scheme</i> CPS 510 <i>Governance</i>	Throughout the year (or as needed)			✓	
Review and assess the company's public disclosures		APS 330 Public Disclosure	Annually			✓	
<b>Regulatory and Legal Compliance</b>							
Oversee relevant compliance processes with regulatory and/or statutory requirements	Risk report		Quarterly	✓	✓	✓	✓
<b>Information Security</b>							
Oversee Information security risk posture in line with Cuscal's security frameworks	Risk report	CPS 234 Information Security	Quarterly	✓	✓	✓	✓







Roles and Responsibilities	Examples of Committee reports / documents	Related APRA responsibilities	Frequency				
				March	June	September	December
BCP, Disaster Recovery							
Oversee the Business Continuity Program and Material outsource arrangements	BRCC	CPS 231 Outsourcing CPS 232 Business Continuity Management	At least annually		✓		

Notwithstanding there is no requirement under APS 510 to have a Board Risk Committee, in the application of prudent corporate governance principles, the format of the Board Risk Committee Charter follows, where applicable, the requirements for Board Audit Committees contained in APS 510/CPS 510.

