

## 4011 Risk & Compliance Committee Charter—V 9.0

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# 1. CPS 510 Governance

- [1] Prudential Standard CPS 510 Governance requires the separation of the Board's Risk and Compliance Committee and the Board's Audit Committee.
- [2] APRA state that the separation of these Committees aligns with the distinct responsibilities for:
- (a) Risk management's role in the second line of defence for risk management; and
  - (b) Audit's role in the third line of defence for independent assurance.
- [3] To align with good governance practices, the Second Line of Defence (2LOD) and the Third Line of Defence (3LOD) collaborate to provide a holistic model of assurance for the Board.

# 2. Purpose

- [4] The purpose of this Charter is to specify the authority delegated to the Risk and Compliance Committee by the Board of Teachers Mutual Bank Limited (TMBL). The Committee provides assistance and advice to the Board in fulfilling its responsibilities in relation to:
- Maintaining a culture that promotes good governance and risk management
  - Maintaining a risk management framework that is appropriate to the size, business mix and complexity of TMBL
  - Oversight of the operation of the risk management framework by senior management, including the monitoring and management of all material risks consistent with strategic objectives, risk appetite and policies approved by the Board
  - Overseeing compliance with relevant laws, regulations, codes and prudential standards, and assessing the adequacy of the organisational programs in place to provide reasonable assurance of their compliance
  - Forming a view of the risk culture of TMBL, identifying any desirable changes to the risk culture and ensuring TMBL takes steps to address those changes
  - Ensuring sufficient resources are dedicated to risk management and compliance
  - Overseeing the quality and integrity of risk and compliance reporting to the Committee, Board and regulators.

# 3. Authority of the Committee

- [5] The Committee may, within the scope of its responsibilities:
- (a) Perform activities and make recommendations to the Board consistent with the responsibilities outlined in this Charter

- (b) Engage independent counsel and other advisers as it considers necessary to carry out its duties at Teachers Mutual Bank Limited's (TMBL's) expense and
- (c) Have unrestricted access to management, employees, internal and external audit, and information it considers relevant under these terms of reference.

[6] The Committee has neither a management role, nor executive powers with regard to its recommendations and does not relieve the full Board of its responsibilities for these matters.

## 4. Composition of the Committee

[7] The Committee will consist of at least four members.

[8] The Committee is required to have:

- (a) All members as non-executive Directors
- (b) A majority of members as independent directors
- (c) A chairperson who is an independent director
- (d) The powers necessary to enable it to perform its functions.

[9] The Board appoints members and Chair of the Committee and at its discretion can make changes as required.

[10] The Board appoints the Chair of the Committee. The appointee:

- (a) Must not be the Chair of the Board and
- (b) Must have relevant professional level experience and qualifications.

[11] The terms of a member's appointment are:

- (a) A member may resign upon reasonable notice in writing to the Committee Chair
- (b) A member may from time to time be immediately removed by notice in writing under the hand of the Committee Chair
- (c) Ceasing to be a director of the Board is deemed to be automatic termination of appointment as a member of the Committee.

[12] The Secretary will be the Chief Risk Officer and together with the Chair, will be responsible for the co-ordination of meetings, notices, minutes and general Committee governance.

## 5. Expertise

[13] The Committee, to enable the effective discharge of its responsibilities in this Charter, must be comprised of members with an appropriate range of technical skills and professional qualifications.

- [14] Members must understand the organisation's structure, controls and transaction profile in order to adequately identify and assess the significant risks faced by TMBL.
- [15] Having regard to the operations, financial and strategic profile of TMBL, it is appropriate that members of the Committee have a diverse range of backgrounds, skills and experiences.
- [16] The skills and performance of all Committee members will be reviewed annually by the Board. At least annually, the Committee will review its own performance by self-assessment.

## 6. Responsibilities of the Committee

- [17] Provide objective oversight of the implementation and operation of the risk management framework including:
- Monitoring the adequacy of frameworks and processes to manage all material risks
  - Reviewing the risk management strategy and risk appetite, limits and authority levels for recommendation to the Board
  - Oversight of the management of all material risks identified in the Risk Management Strategy, including:
    - (a) Ensuring that all material risks are identified, evaluated, treated, monitored and communicated at a staff, management and Board level
    - (b) Ensuring that key controls are identified for all material risks and that control effectiveness assessments are undertaken on a regular basis
    - (c) Ensuring that risks remain within agreed appetite and tolerances
    - (d) Ensuring TMBL is identifying and responding appropriately to emerging risks.
- [18] Provide objective oversight of the operation of the Compliance Framework including:
- Ensuring the Compliance Framework is adequate to support the identification and management of all material compliance risks
  - Ensuring changes to compliance obligations are identified and that programs are in place to achieve compliance by the required dates
  - Reviewing and approving the Compliance Plan to ensure it addresses all material compliance risks identified in the Risk Management Statement
  - Receiving compliance summaries of significant findings and recommendations and ensuring management's responses are acted upon completely and in a timely manner.
- [19] Receive and review the Complaints and Disputes, Incident and Breach Registers and ensure responses are appropriate, effective and actioned in a timely manner.
- [20] Review the capital framework, including ICAAP and make recommendations to the Board regarding TMBL's capital needs.
- [21] Review the Recovery Plan and make recommendations to the Board.

- [22] Ensure TMBL has in place forward-looking scenario analysis and stress testing of material risks based on severe but plausible assumptions.
- [23] Review the risk culture definition and monitoring processes to ensure that the information presented is sufficient to allow the Board to form a view of the risk culture of TMBL.
- [24] Receive and monitor finalisation of the action items, if any, from the annual and comprehensive reviews of the risk management framework required under CPS 220 Risk Management.
- [25] Review and approve the Annual Declaration on Risk Management as required by APRA under CPS 220 Risk Management.
- [26] Review the performance of the Chief Risk Officer (CRO), including oversight of the appointment and removal of the CRO in accordance with CPS 220 Risk Management.

## **7. Resourcing**

- [27] The Committee will monitor the level of resources related to risk management and compliance across TMBL and recommend additional resources to the Board where applicable. The Committee will also ensure clearly defined and documented roles, responsibilities and formal reporting structures exist for the management of material risks.

## **8. Insurance**

- [28] The Committee shall receive reports from management concerning TMBL's insurance strategy, including the coverage and limits of the insurance policies in order to monitor them and if appropriate, recommend the approval or variation of them to the Board.

## **9. Regulatory Bodies**

- [29] The Committee will monitor reports from regulators and management's implementation of actions as approved by the Board.

## **10. Other Independent Reviews**

- [30] The Committee will monitor reports from independent bodies and management's implementation of actions as approved by the Board.

## 11. Reporting to the Board

- [31] The Chair of the Committee (or a person nominated by the Chair of the Committee for that purpose) shall:
- (a) Report to the Board at the Board's next meeting on any matters relevant to the Committee's duties and responsibilities
  - (b) Report to the Board any relevant emerging risk and changes in the business and operational environment and the treatment plans
  - (c) Provide a copy of the draft Minutes to the Board as soon as practical.

## 12. Meeting and Committee Process

- [32] The Committee shall meet as frequently as required but not less than six times a year.
- [33] Any Committee member or the Secretary of the Committee may call a meeting of the Committee.

## 13. Notice

- [34] A notice of each meeting confirming the date, time, venue and agenda shall be distributed to each member of the Committee at least four working days prior to the date of the meeting. The notice of the meeting will include the relevant supporting papers for the agenda items to be discussed.

## 14. Agenda

- [35] The Chair will be responsible for developing the agenda for each meeting on the basis of the annual program and any other matters deemed to be relevant to the particular meeting.

## 15. Attendance

- [36] A quorum will comprise the presence of one half of the members of the Committee (rounded upwards if not a whole number). No business may be transacted unless a quorum is present.

- [37] The Committee may extend an invitation to any person to attend all or part of any meeting of the Committee which it considers appropriate.
- [38] The CRO and Head of Compliance have the right to meet with and have free and unfettered access to the Chair of the Committee or the Committee as a whole, and vice versa.

## 16. Minutes

- [39] Minutes of proceedings and resolutions of the Committee shall be kept.
- [40] Minutes shall be distributed to all Committee members and the Chair of the Board, after the preliminary approval has been given by the Committee Chair.
- [41] Minutes, agenda and supporting papers will be made available to every Director providing no conflict of interest and/or no confidentiality requirements exist.

## 17. Review and Publication of the Charter

- [42] The Committee will review its Charter annually and make recommendations to the Board as to any changes it considers should be made.
- [43] The Charter may be amended by resolution of the Board.
- [44] This Charter will be available on TMBL's website (or the website for Teachers Mutual Bank brand), with the key features published in the annual report when deemed appropriate.