

Authorisations	
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Recommender:	Committee
Maintenance Responsibility:	Chief Risk Officer

Review	
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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
  - (b) Audit's role in the third line of defence for independent assurance.

## 2. Purpose

- [1] The purpose of this Charter is to specify the authority delegated to the Risk and Compliance Committee by the Board of the Teachers Mutual Bank Limited (TMBL). The Committee provides assistance and advice to the Board in fulfilling its responsibilities in relation to:
  - (a) Ensuring sound governance practices and maintaining a culture that promotes good governance and risk management
  - (b) Maintaining a risk management framework that is appropriate to the size, business mix and complexity of TMBL
  - (c) Oversight of the operation of the risk management framework by management including setting and monitoring of risk appetite and development and implementation of the risk management strategy
  - (d) 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
  - (e) 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
  - (f) Ensuring sufficient resources are dedicated to risk management and compliance
  - (g) overseeing the quality and integrity of reporting to the Committee, Board and regulators
- [3] In doing so, the Committee will:
  - (h)
  - (i) Monitor the adequacy, integrity and effectiveness of the internal control environment and risk management process
  - (j) Advise the Board on TMBL's current and future risk appetite and risk management strategy, including oversight of management's implementation of the risk management strategy
  - (k) Oversee regular assessments of risk culture
  - (l) Provide oversight of TMBL's current and future risk position (including emerging risks) relative to its risk appetite and capital reserves

- (m) Review the processes established by management to ensure the requirements of licences (ie Banking, Australian Financial Services, Australian Credit), Prudential standards and applicable legislation (eg ASIC Act, Banking Act, Corporations Act, Anti-Money Laundering and Counter-Terrorism Financing Act, Taxation Acts) are being adhered to and
  - (n) Monitor compliance with all other internal, regulatory, prudential, legal, adopted industry and ethical requirements and standards
  - (o) Oversee the process for the preparation of the Annual Declaration on Risk Management as required by APRA under CPS 220 Risk Management
  - (p) Oversee an annual review of the risk management framework to assess compliance with, and the effectiveness of, the framework. Every three years, a comprehensive review will be undertaken by a party operationally independent from TMBL
  - (q) 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
- [4] The Committee may, within the scope of its responsibilities:
- (a) Perform activities and make recommendations to the Board consistent with these terms of reference
  - (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.
- [5] 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.

### 3. Composition of the Committee

- [6] The Committee will consist of:
- at least four members each of whom will be appointed or removed by the Board and
  - a Secretary.
- [7] All members of the Committee must be non-executive Directors.
- [8] 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.
- [9] 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.

### **3.1. Expertise**

- [10] 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
- [11] Members must understand the organisation's structure, controls and transaction profile in order to adequately identify and assess the significant risks faced by TMBL
- [12] 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
- [13] 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.

## **4. Responsibilities of the Committee**

### **4.1. Risk Management and Compliance**

- [14] Monitor the adequacy of frameworks and processes to manage all material risks, including, but not limited to credit risk (be it risk in lending or investing), market risk (be it liquidity risk or interest rate risk), operational risk, governance and strategic risks.
- [15] Ensure that all significant risks are identified, evaluated, treated, monitored and communicated at a staff, management and Board level.
- [16] Review the risk management strategy and risk appetite, limits and authority levels for recommendation to the Board.
- [17] Review the fraud and cybersecurity frameworks, ensuring they address all key areas of risks, and recommend its approval to the Board.
- [18] Receive fraud and cybersecurity summaries of significant findings and recommendations and ensure management's responses are acted upon completely and in a timely manner.
- [19] Review the Compliance Plan, ensuring it addresses all key areas of risks, and recommend its approval to the Board.
- [20] Receive compliance summaries of significant findings and recommendations and ensure management's responses are acted upon completely and in a timely manner.
- [21] Review compliance with APS 910 Financial Claims Scheme.
- [22] Review the AML/CTF framework and practices to determine compliance with the Bank's obligations.
- [23] Review the capital framework, including ICAAP to determine the Bank's capital needs.

- [24] Review balance sheet, liquidity and re-financing risks to ensure risks remain within agreed tolerances.
- [25] Receive and review the Complaints and Disputes, Incident and Breach Registers and ensure responses are appropriate, effective and actioned in a timely manner.
- [26] Receive and review the Recovery Plan and make recommendations to the Board.
- [27] Receive and monitor finalisation of the action items, if any, from the annual and comprehensive reviews required under CPS 220 Risk Management.

## **4.2. Resourcing**

- [28] The Committee will monitor the level of resources related to the 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.

## **4.3. Insurance**

- [29] 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.

## **4.4. Regulatory Bodies**

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

## **4.5. Other Independent Reviews**

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

# **5. Reporting to the Board**

- [32] 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.

## 6. Meetings and Committee Process

[33] The Committee shall meet as frequently as required but not less than four times a year.

[34] Any Committee member or the Secretary of the Committee may call a meeting of the Committee.

### 6.1. Notice

[35] 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.

### 6.2. Agenda

[36] 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.

### 6.3. Attendance

[37] 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.

[38] The Committee may extend an invitation to any person to attend all or part of any meeting of the Committee which it considers appropriate. In particular, the Committee may meet with:

- Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Financial Officer (CFO)
- Chief Risk Officer (CRO)
- Fraud & Security Manager
- Head of Regulatory Services
- Head of Risk Services
- External advisers
- Any executive or employee including any executive Director

- Any non-executive Director.

[39] The CRO and Head of Regulatory Services 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.

## **6.4. Minutes**

[40] Minutes of proceedings and resolutions of the Committee shall be kept.

[41] 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.

[42] Minutes, agenda and supporting papers will be made available to every Director providing no conflict of interest and/or no confidentiality requirements exist.

## **7. Review and Publication of the Charter**

[43] The Committee will review its Charter annually and make recommendations to the Board as to any changes it considers should be made.

[44] The Charter may be amended by resolution of the Board.

[45] 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.