



Teachers Mutual Bank Limited

Risk & Compliance Committee Charter

4011 Risk & Compliance Committee Charter—V3.0

Authorisations	
Approval Authority:	Board
Recommender:	Committee Chair
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 and
 - (b) Audit's role in the third line of defence for independent assurance.

2. Purpose

- [3] 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 to the Board in fulfilling its responsibilities in terms of corporate governance practices, risk management and the quality and integrity of reporting. In doing so, the Committee will endeavour to:
 - (a) Provide reasonable assurance to the Board that core business goals and objectives are being achieved in an effective and efficient manner, within an appropriate framework of governance, risk management and internal control
 - (b) Monitor the adequacy, integrity and effectiveness of the internal control environment and risk management process
 - (c) 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, Taxation Acts) are being adhered to and
 - (d) Monitor compliance with all other internal, regulatory, prudential, legal, adopted industry and ethical requirements and standards.

3. Authority

- [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 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.

4. 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.

4.1. 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 organisations 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 and

[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.

5. Responsibilities of the Committee

5.1. Risk Management and Compliance

- [14] Review the implementation and maintenance of the Enterprise Risk Management Framework (ERMF) and internal control system throughout TMBL
- [15] Endeavour to ensure the ERMF is consistent in principle with industry guidelines and appropriate to TMBL's business having regard to the business size, nature and complexity
- [16] Monitor the adequacy of frameworks and processes to manage risks, especially 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
- [17] Endeavour to ensure that all significant risks are identified, evaluated, treated, monitored and communicated at a staff, management and Board level
- [18] Review risk appetite, limits and authority levels for recommendation to the Board
- [19] Undertake an annual assessment of risk methodology
- [20] Review the "Fraud and Security" framework, ensuring it addresses all key areas of risks, and recommend its approval to the Board
- [21] Receive "Fraud and Security" summaries of significant findings and recommendations and ensure management's responses are acted upon completely and in a timely manner
- [22] Review the "Compliance" Plan, ensuring it addresses all key areas of risks, and recommend its approval to the Board
- [23] Receive "Compliance" summaries of significant findings and recommendations and ensure management's responses are acted upon completely and in a timely manner
- [24] Receive and review the Complaints and Disputes, Incident and Breach Registers and ensure responses are appropriate, effective and actioned in a timely manner
- [25] In accordance with CPS 220 Risk Management, appoint an independent, appropriately trained and competent person to undertake at least every three years a comprehensive review to ensure the appropriateness, effectiveness and adequacy of the risk management framework and
- [26] Receive and monitor finalisation of the action items, if any, from the comprehensive review required under CPS 220 Risk Management.

5.2. Taxation

- [27] Review taxation policies and practices including any material decisions relating to taxation.

5.3. Resourcing

- [28] Monitor the level of resources related to the management of risk across TMBL and recommend additional resources to the Board where applicable.

5.4. 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.

5.5. Regulatory Bodies

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

5.6. Other Independent Reviews

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

6. Reporting to the Board

- [32] It is recommended that the Chair of the Committee (or a person nominated by the Chair of the Committee for that purpose):
- (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 and
 - (c) Provide a copy of the draft Minutes to the Board as soon as practical.

7. 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.

7.1. 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.

7.2. 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.

[37] The Agenda will include, at least on an annual basis, formal opportunities for the Committee to meet independently with management, the external auditors and the internal auditors.

7.3. Attendance

[38] 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.

[39] 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
- Manager – Regulatory Services
- Enterprise Risk Manager
- External advisers
- Any executive or employee including any executive Director
- Any non-executive Director.

[40] The CRO and Senior Manager – Regulatory Services have the right to meet and has free and unfettered access to the Chair of the Committee or the Committee as a whole, and vice versa.

7.4. Minutes

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

[42] 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.

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

8. Review and Publication of the Charter

- [44] The Committee will review its Charter annually and make recommendations to the Board as to any changes it considers should be made.
- [45] The Charter may be amended by resolution of the Board.
- [46] 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.