

COMMUNITY CPS AUSTRALIA LTD

Board Risk Committee

Charter and Operating Procedures.

A CHARTER

1 Purpose

- 1.1 The objective of the Board Risk Committee ('Committee') is to assist the Board of Directors in discharging its responsibilities in relation to risk within the Community CPS Group ('Group'). Risk management is described as the logical and systematic method of identifying, analysing, assessing, treating, monitoring and communicating of risks associated with any activity, function or process in a way that will enable organisations to manage risk.
- 1.2 In the context of the role of the board and the Committee, the Committee will have unlimited access to senior management of the Group (and other staff as necessary).
- 1.3 Subject to approval from the Board of Directors, the Committee has the authority to consult independent experts where it considers it necessary for the effective performance of the Committee's functions.

2 Composition

- 2.1 The Committee will comprise a majority of non-executive directors. The Board of Directors will appoint one of the directors Chair of the Committee. Other non executive directors can attend meetings of the Committee at their discretion. The Chief Executive Officer or any other officer may be required to attend meetings of the Committee as required.
- 2.2 If the Chair of the Committee be absent from a Committee meeting, the members of the Committee present will appoint a Chair for that particular meeting.
- 2.3 The Committee members, including the Chair of the Committee, will be appointed annually by the Board.
- 2.4 The performance of each member of the Committee will be peer-reviewed annually by other members of the Committee prior to the Community CPS Annual General Meeting.

3 Meetings

- 3.1 The Committee will hold at least four regular meetings per year and such additional meetings as the Chairman of the Committee decides in order to fulfill its duties. The Chairman of the Committee will call a meeting of the Committee if so requested by any Committee member, or the Chairman of the Board of Directors.
- 3.2 A quorum for a Committee meeting is a majority of the appointed committee members who must be present throughout the entirety of the meeting.
- 3.3 The Secretary of the Committee will be the Company Secretary or their designated representative.

3.4 The Secretary, in conjunction with the Chairman of the Committee, will prepare the agenda for Committee meetings. The agenda and supporting documentation will be circulated to the Committee members at least one week prior to each meeting. The Secretary of the Committee will circulate minutes of Committee meetings to members of the Committee and Board after preliminary approval has been given by the Chairman of the Committee. Minutes, agenda and supporting papers will be posted to a website accessible by directors. Committee papers prepared by management are to be relevant, clear, complete and concise.

4 Reporting

4.1 The Chairman of the Committee will regularly update the Board about Committee activities. If time permits, the minutes of each Committee meeting will be tabled at the next regular meeting of the Board. If this is not possible the minutes will be tabled at the subsequent meeting of the Board.

4.2 The Committee will refer to the Board Audit and Finance Committee any matters that have come to the attention of the Committee that are relevant for the Board Audit and Finance Committee.

4.3 The Committee will refer to the Board Governance Committee any matters that have come to the attention of the Committee that are relevant for the Board Governance Committee.

4.4 The Committee must refer any matters of major importance to the Board for its attention.

5. Duties and Responsibilities

5.1 The Committee will consider any matters where there is exposure of the Group to possible economic or financial loss, damage, injury or delay as a consequence of pursuing its business. In addition, the Committee will examine any other matters referred to it by the Board of Directors. The Committee responsibilities will be aligned with the Group governance structure and over-arching policy framework determined by the Board.

5.2 The duties of the Committee are:

Objective	Authority
<ul style="list-style-type: none"> ▪ Provide advice to the Board on matters of due diligence, financial systems integrity and risks which could threaten the resources and earnings of the Group, or the essential services it provides, by: <ul style="list-style-type: none"> - Providing regular reports to the Board on risk management review. - Overseeing the risk management program. - Considering financial risks and exposure of Group assets and liabilities. - Effective management of financial and other business risks. 	<p>Review & recommend.</p> <p>Undertake & periodically update Board.</p> <p>Undertake & advise Board on an exception basis.</p> <p>Undertake & advise Board on an exception basis.</p> <p>Undertake & advise Board on an exception basis.</p>

Objective	Authority
<ul style="list-style-type: none"> ▪ Ensure that the Group can maintain and deliver services to members and non-member customers in a timely, efficient and effective manner. 	Undertake & advise Board on an exception basis.
<ul style="list-style-type: none"> ▪ Review and evaluate the adequacy of the Group's Business Continuity Management arrangements, as described in the Business Continuity Plan. 	Undertake & periodically update Board.
<ul style="list-style-type: none"> ▪ Ensure compliance with the related APRA Prudential Standard. 	Undertake & periodically update Board.
<ul style="list-style-type: none"> ▪ Identify and monitoring the management of identified risks and action taken to control or minimise risk. 	Undertake & advise Board on an exception basis.
<ul style="list-style-type: none"> ▪ Identify and monitor the inherent and residual rating of identified risks, the consequences of these risks and the effectiveness of controls that are implemented to mitigate against risk events. 	Undertake & advise Board on an exception basis.
<ul style="list-style-type: none"> ▪ Reviewing insurance policies and covers. 	Review & recommend.
<ul style="list-style-type: none"> ▪ Reviewing and determining the adequacy of risk management policies, systems and procedures. 	Review & recommend.
<ul style="list-style-type: none"> ▪ Safeguard Group assets (people, property and financial). 	Undertake & advise Board on an exception basis.

5.3 To effectively discharge their duties the Committee members will:

1. propose policies, business continuity plans and other risk management material, including identifying the critical areas with which the Board needs to be familiar;
2. test the assumptions utilised in the development of risk management models and policies, question those assumptions and any other relevant matters on behalf of the Board and ensure that the Board is made aware of any significant issues;
3. maintain an awareness of the environment that the Group operates in and, when considered necessary, question management on the action taken or proposed to monitor and manage perceived material risks; and
4. maintain an awareness of the requirements of APRA's Harmonised Prudential Standards.

B OPERATING PROCEDURES

1 General

1.1 The Committee will:

- 1.1.1 Engage in amend/renew policies and procedures employed by the Group to manage risk;
- 1.1.2 Monitor current developments both within the Group and externally which may substantially impact on the risks confronting the Group and this will include relevant presentations, or risk reports prepared for the Committee;
- 1.1.4 Consider the impacts of changes to APRA's Harmonised Prudential Standards; and
- 1.1.5 Liaise with the Board Audit and Finance Committee to ensure that major risk areas are addressed. The Chairman of the Committee will attend the Audit and Finance Committee meeting when the Internal Audit Plan is presented.

2 Review the adequacy of risk management policies, systems and procedures

2.1 The Committee:

- 2.1.1 has the responsibility to ensure that adequate risk management policies, systems and procedures are implemented; and will receive a copy of risk management policies and procedures from time to time for review.
- 2.1.2 will consider the requirement for the Chief Executive Officer to provide declarations to APRA (endorsed by the Board) including:
 - key risks facing the Credit Union and the Group;
 - systems to monitor and manage those risks;
 - the operating effectiveness of these risk management systems; and
 - the risk management descriptions provided to APRA being accurate and current.

3 Insurance policies and cover

3.1 The Committee:

- 3.1.1 has the responsibility to ensure that adequate insurance policies and covers are held by the Group at all times.
- 3.1.2 will receive from management on an annual basis a copy of all insurance policies and review them for adequacy.

4 Risk management review

- 4.1 The Committee will receive from management on a quarterly basis a risk management report as specified in Section 3.1 of the risk management policy and monitor the risk management action plans.

5 Business Continuity Management and the Business Continuity Plan (BCP)

- 5.1 The Board has delegated to the Committee the operational responsibility to oversee the preparation and maintenance of the Group's business continuity plan document. In discharging this responsibility the Committee will:

5.1.1 Review updates to the Business Continuity Plan.

5.1.2 Oversee the business continuity plan for adequacy with respect to:

- (i) risk assessment processes to identify scenarios;
- (ii) business impact analysis in respect of identified disruption scenarios and critical business functions, resources and infrastructure;
- (iii) an order of succession in the event of disaster;
- (iv) identification of basic needs for resuming essential operations post-disaster and of resources which can meet these needs (e.g. other sites and facilities);
- (v) designated crisis management team(s) for damage assessment and for coordination of the disaster recovery plan;
- (vi) specified response procedures in the event of disaster;
- (vii) periodic review of business continuity arrangements, and
- (viii) other relevant matters.

5.1.3 Ensure that testing of the plan is conducted at least annually unless there are valid reasons why the testing interval needs to be extended. The Committee will consider a summary of the testing results.

5.1.4 Oversee the BCP review process conducted by the Crisis Management Team (CMT) including expert advice.

6 Harmonised Prudential Standards

- 6.1 The Committee has prime responsibility for the following matters:

Harmonised Prudential Standard	Requirement
<i>APS 110 Capital Adequacy</i>	Ongoing review and assessment of the adequacy of the Capital Management Plan.
<i>APS 112 Capital Adequacy: Credit Risk</i>	Monitor the use of derivatives in the Banking Book. Monitor loans, particularly to developers, to ensure they are properly risk weighted.

Harmonised Prudential Standard	Requirement
<i>APS 120 Funds Management & Securitisation</i>	Review existing arrangements to ensure continual compliance with the Standards.
<i>APS 210 Liquidity</i>	Ongoing review and assessment of the adequacy of the liquidity management strategy.
<i>APS 220 Credit Quality</i>	Ongoing review and assessment of the adequacy of the credit risk management system.
<i>APS 221 Large Exposures</i>	Review the credit risk management system to ensure there are adequate policies and practices in place to identify, measure, monitor and report large exposures.
<i>APS 222 Associations with Related Entities</i>	Review policies for the establishment, ongoing management and monitoring of associations with subsidiaries and equity investments for the control of contagion risk.
<i>APS 231 Outsourcing</i>	Ensure that any outsourcing arrangements entered into are subject to appropriate due diligence, approval and ongoing monitoring.
<i>APS 310 Audit & Related Arrangements for Prudential Reporting</i>	Consider the framework in which the “declaration” of the CEO can be endorsed in conjunction with the Board Audit & Finance Committee.

C APPENDIX

Further details on how the Committee performs some of its duties.

1. *Provision of regular reports to the Board on risk management review*

The Board will be informed of the review of risk management (and other matters considered by the Committee) via:

- a copy of the minutes of the meeting of the Committee;
- the Chairman of the Committee providing a verbal report of the major issues discussed by the Committee; and
- matters that require Board approval are submitted to the Board with an appropriate submission.

2. *Overseeing the risk management program*

The Committee receives from management at each meeting, risk management reports on key risk types, and monitors the activity of the various committees to manage risk by the Group. Items of significance from a risk perspective are reported to the Board at the next Board meeting.

Furthermore, the Committee ensures that the Strategic Plan contains a strategic risk assessment which is linked to the action items in the Corporate Plan.

3. *Ensuring effective management of financial and other business risks*

The Committee is responsible for overseeing the maintenance of the Business Risk Management Plan and ensuring that the requirements of APRA's Harmonised Prudential Standards are being met. It does this by receiving and considering regular reports and/or presentations from appropriate members of staff. This enables the Committee to ask appropriate questions to determine whether financial and other business risks are being managed in an effective manner. It is also able to request that additional information be provided by management so that it can make an informed assessment and/or request management to undertake additional or different actions to better manage financial and other business risks. The Committee can also call upon external expert assistance to assist it with the task of ensuring that financial and other business risks are being managed in an effective manner. The Committee does not delegate its responsibilities to external parties, but can utilise their services to gain a better understanding of potential financial and other business risks facing the Group, and/or of techniques that can be implemented to manage those risks.

4. *Ensuring that the Group can maintain and deliver services to members and non-member customers in a timely, efficient and effective manner*

The Committee oversees the preparation and maintenance of the business continuity plan document as detailed in Section 5 of this Charter. The maintenance of an effective BCP enables the Group to, as best as is possible, maintain and deliver services to members and non-member customers in a timely, efficient and effective manner in the event of a disaster falling upon any Group entity.