

Board Risk Management Committee Charter

12 July 2011

PURPOSE

- The purpose of the Westpac Banking Corporation (**Westpac**) Board Risk Management Committee (**Committee**) is to assist the Board as the Board oversees the risk profile and approves the risk management framework of Westpac Banking Corporation and its related bodies corporate (the **Westpac Group**) within the context of the risk-reward strategy determined by the Board.
- 1) To fulfil its responsibilities the Committee has power delegated by the Board to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

COMPOSITION

- 2) The Committee membership and the Chairman of the Committee will be as determined from time to time by the Board of Westpac. The Committee will consist of at least three Directors, not more than one of whom shall be an executive Director. Each of the non-executive members will be independent Directors. Other Directors of the Board are entitled to attend Committee meetings and will receive copies of the papers.
- 3) Should the Chairman of the Committee be absent from a meeting, the members of the Committee present will appoint a Chairman for that particular meeting.

MEETINGS

- 4) The Committee will meet at least four times annually or more frequently if necessary.
- 5) The Committee may request any officer or employee of the Westpac Group, external legal counsel, the external auditor or any person or group with relevant experience or expertise to attend meetings of the Committee or to meet with any members of or consultants to the Committee.
- 6) A quorum for any meeting will be two members. The Secretary of the Committee will be the Head of Group Secretariat or their designated representative.

- 7) The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The Secretary of the Committee will circulate minutes of meetings to members of the Committee and the Board.
- 8) Where approvals are granted outside a meeting of the Committee, a report is to be provided to the next meeting of the Committee.
- 9) The Committee may adopt any rules and regulations considered appropriate for the conduct of its affairs, provided that they are consistent with the Westpac Constitution, this Charter (as amended from time to time), or any resolution of the Board.

REPORTINGS

- 10) The Committee will regularly update the Board about Committee activities and make appropriate recommendations. The minutes of each Committee meeting will be tabled at the next Board meeting.
- 11) The Committee will refer to the Board Audit Committee any matters that have come to the attention of the Committee that are relevant for the Board Audit Committee including any matters relating to accounting, internal control, audit or compliance concerns received through the whistleblower reporting process.
- 12) The Committee will provide relevant periodic assurances to the Board Audit Committee.
- 13) The Committee will refer to the Board Remuneration Committee any matters that come to its attention that are relevant for the Board Remuneration Committee with respect to risk-adjusted remuneration and to other Board Committees any matters that come to the attention of the Committee that are relevant for those respective Board Committees.
- 14) At the discretion of the Chairman and members of the Committee, matters considered to be of major importance will be referred to the Board for its attention.

RESPONSIBILITIES

- 15) The Committee will monitor and provide recommendations to the Board on the Westpac Group's risk-reward strategy, monitor the alignment of the Westpac Group's risk profile with risk appetite as defined in the Board Statement of Risk Appetite, ensure that the Westpac Group maintains an appropriate level and quality of capital and liquidity in line with the risks inherent in its activities and oversee risks inherent in the Westpac Group's operations. Such oversight will include, but is not restricted to, the elements in paragraphs 17 – 26.

Risk appetite

- 16) Approve the Board Statement of Risk Appetite and review and monitor the risk profile of Westpac for consistency with this risk appetite.

Overall risk governance

- 17) Review and approve the Westpac Group Risk Governance Framework.

Capital

- 18) Oversee and approve the internal capital adequacy assessment process and in doing so:

- a) review the outcomes of enterprise wide stress testing; and
 - b) set the target capital ranges for regulatory capital having regard to Westpac internal economic capital measures.
- 19) Review and monitor capital levels for consistency with the Westpac Group's risk appetite.

Credit risk

- 20) Review and approve the Westpac Group Credit Risk Management Framework.
- 21) Review and approve key policies and associated risk concentration limits supporting the Westpac Group Credit Risk Management Framework, including policies for the credit risk rating system, managing large exposures, industry concentration and country risk and cross-border risk.
- 22) Review and approve the limits and conditions that apply to credit risk approval authority delegated to the Chief Executive Officer, the Chief Risk Officer, the Chief Financial Officer, and any other officers of the Westpac Group to whom the Board has delegated credit approval authority.
- 23) Approve credit risk exposures outside the authority delegated to management.
- 24) Review the credit risk profile, performance and management of the Westpac Group's credit portfolio, including portfolio asset quality, provisioning levels and bad debt performance.
- 25) Review and approve material changes, as determined by the Chief Risk Officer, to the provisioning methodology for the Westpac Group.

Market risk

- 26) Review and approve the Westpac Group Market Risk Management Framework.
- 27) Review and approve key policies and limits supporting the Market Risk Management Framework, including but not limited to Value at Risk Limits and Net Interest Income at Risk Limits.
- 28) Review the monitoring of the Westpac Group's market risk performance and exposure against limits.
- 29) Review key market risk positions, including structural interest rate risk positions for the Westpac Group.

Liquidity risk

- 30) Review and approve the Westpac Group Liquidity Risk Management Framework.
- 31) Review and approve key policies and limits supporting the Liquidity Risk Management Framework.
- 32) Review and approve the funding plan for the Westpac Group and oversee management's monitoring of that plan.

- 33) Oversee and approve the internal liquidity adequacy assessment process, including approving liquidity targets and limits.
- 34) Review the monitoring of the Westpac Group's liquidity position and requirements.

Operational risk

- 35) Review and approve the Westpac Group Operational Risk Management Framework.
- 36) Review the monitoring of the performance of operational risk management and controls.
- 37) Review and approve key operational risk policies.

Reputation risk

- 38) Review and approve the Westpac Group Reputation Risk Management Framework.
- 39) Review the monitoring of the performance of reputation risk management and controls.

Compliance management

- 40) Review and approve the Westpac Group Compliance Management Framework.
- 41) Review the compliance risk processes that are in place to anticipate and effectively manage the impact of regulatory change on the Westpac Group's operations.
- 42) Review compliance by the Westpac Group with applicable laws, regulations and regulatory requirements that may impact the Westpac Group's risk profile.
- 43) Discuss with management and the external auditor any correspondence with regulators or government agencies and any published reports that raise issues material to the Westpac Group.
- 44) Review the policies and procedures for the receipt, retention and treatment of complaints received by the Westpac Group about accounting, internal control, audit, compliance or other matters about which an employee has concerns.

Other risks (including environmental, social and governance (ESG) risk, equity risk, related entity risk, insurance risk and others as identified by the BRMC)

- 45) Review and approve other risk management frameworks not specifically referred to in this Charter, and/or review the monitoring of performance under those frameworks (as appropriate).

OTHER RESPONSIBILITIES

- 46) Monitor changes anticipated for the economic and business environment, including consideration of emerging trends and other factors considered relevant to the Westpac Group's risk profile and risk appetite.
- 47) Review and update the Charter at least annually and recommend changes to the Board for approval.
- 48) Retain independent legal, accounting or other advisors to the extent the Committee considers necessary.