

# Board Risk Committee Charter

1 June 2020

## PURPOSE

- 1) Westpac Banking Corporation (**Westpac**) Board Risk Committee (**Committee**) will assist the Board of Westpac (**Board**) as the Board:
  - (a) considers and approves the Westpac Group's overall risk management framework for managing financial and non-financial risks;
  - (b) oversees the risk culture across the Westpac Group;
  - (c) oversees the risk profile and sets risk appetite for material risks;
  - (d) approves the Westpac Group Risk Management Framework, the Westpac Group Risk Management Strategy and the Westpac Group Risk Appetite Statement of Westpac and its related bodies corporate (**Westpac Group**);
  - (e) makes its annual declaration to APRA on risk management; and
  - (f) oversees compliance management within Westpac Group
- 2) The Committee will primarily fulfil these responsibilities by carrying out the activities outlined in the Responsibilities and Duties section of this Charter.
- 3) The Committee has free and unfettered access to senior management, risk and financial control personnel and other internal and external parties in carrying out its duties.
- 4) The Committee is supported in performing its responsibilities by the Board Legal, Regulatory & Compliance Committee, which is a sub-committee of the Committee. The Committee maintains overall responsibility for assisting the Board to oversee all matters delegated to the Board Legal, Regulatory & Compliance Committee.

## COMPOSITION

- 5) The Committee membership and the Chairman of the Committee will be as determined from time to time by the Board. The Chairman of the Committee must be an independent Director and not the Chairman of the Board. The Committee will consist of at least three Directors, all of whom must be non-executive Directors and the majority of the members of the Committee must be independent. The Chair of the Board Legal, Regulatory & Compliance Committee must be a member of the Committee.
- 6) 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.
- 7) The Committee must include at least one member of the Board Audit Committee and at least one member of the Board Remuneration Committee.

## MEETINGS

- 8) The Committee will meet at least six times annually or more frequently if necessary.
- 9) 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.
- 10) Other Directors of the Board are entitled to attend Committee meetings and will receive copies of the Committee papers upon request.
- 11) A quorum for any meeting will be two members. The Secretary of the Committee (**Secretary**) will be the Company Secretary or his or her designated representative.
- 12) The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The Secretary will circulate minutes of meetings to members of the Committee and the Board.
- 13) Where approvals are granted outside a meeting of the Committee, a report is to be provided to the next meeting of the Committee.
- 14) 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, the Westpac Board Charter, this Charter (as amended from time to time), or any resolution of the Board.

## REPORTING

- 15) The Chairman of the Committee will update the Board about Committee activities and make appropriate recommendations. The minutes of each Committee meeting will be tabled at the next Board meeting.
- 16) The Committee will refer or recommend to the Board and any other Board Committee (as appropriate) any matters that have come to the attention of the Committee that are relevant for the Board or the respective Board Committee, including:

- (a) The Board Audit Committee having primary responsibility for oversight of the integrity of the financial statements and financial reporting systems, external audit engagement, performance of the internal audit function and the integrity of the Westpac Group's corporate reporting, 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.
  - (b) The Board Technology Committee, together with the Committee, overseeing the risks associated with major technology-related transformation and data-related programs, the Committee will refer to the Board Technology Committee any matters that have come to the attention of the Committee that are relevant for the Board Technology Committee.
  - (c) The Board Remuneration Committee having primary responsibility for oversight of remuneration, the Committee will refer to the Board Remuneration Committee any matters that have come to the attention of the Committee that are relevant to the Board Remuneration's Committee's or the Board's consideration in recommending or approving risk-adjusted remuneration outcomes for persons within the remit of the Board Remuneration Committee, or the Board.
  - (d) The Committee will refer to the Board Legal, Regulatory & Compliance Committee any matters that have come to the attention of the Committee that are relevant for the Board Legal, Regulatory & Compliance Committee.
- 17) The Committee will provide relevant periodic assurances and reports (as appropriate) to the Board Audit Committee.

## RESPONSIBILITIES AND DUTIES

- 18) Without limiting its role, to fulfil its responsibilities and duties, the Committee will in respect of material risks:
- (a) oversee the identification, management and reporting of risks inherent in the Westpac Group's operations;
  - (b) oversee that sufficient resources and skills are dedicated to risk management. Such oversight will include, but is not restricted to, the elements in this Responsibilities and Duties section;
  - (c) review and where appropriate approve risks beyond the approval discretion provided to management;
  - (d) recognise uncertainties, limitations and assumptions attached to the measurement of each material risk; and
  - (e) assist the Board to oversee that the operational structure of the Westpac Group facilitates effective risk management.

## Risk appetite

- 19) Establish a view of Westpac Group's current and future risk position relative to its risk appetite and capital strength and advise the Board on Westpac Group's overall current and future risk appetite and risk management strategy.
- 20) Review and recommend the Group Risk Appetite Statement to the Board for approval and review and monitor the risk profile and controls of Westpac Group for consistency with the Group Risk Appetite Statement.

## Risk governance

- 21) Form a view of the risk culture within the Westpac Group and the extent to which that supports the ability of the Group to operate consistently within the Westpac Group Risk Management Framework and the Group Risk Appetite Statement and oversee the identification of, and steps taken to address, any desirable changes to risk culture and periodically report to the Board.
- 22) Review the:
  - (a) Westpac Group Risk Management Framework annually to satisfy itself that it continues to be sound and that the Westpac Group is operating with due regard to the Group Risk Appetite Statement;
  - (b) findings of the independent review of the appropriateness, effectiveness and adequacy of the Westpac Group Risk Management Framework, which is undertaken at least every three years; and
  - (c) adequacy and effectiveness of the Westpac Group's internal control framework (excluding financial reporting controls) including receiving and reviewing reports on any material incident involving a breakdown of risk controls,and recommend the Westpac Group Risk Management Framework to the Board for approval as required.
- 23) Review and recommend the Westpac Group Risk Management Strategy to the Board for approval.
- 24) Review and approve the level 1 risks in the Westpac Group Risk Taxonomy.
- 25) Oversee management's implementation of the Westpac Group Risk Management Framework and the Westpac Group Risk Management Strategy and measuring, monitoring and reporting on aggregate risk exposures associated with risk types within the Westpac Group monitored by the Committee.
- 26) Review any relevant issues raised by Group Audit relating to the Westpac Group Risk Management Framework and the effectiveness of the Westpac Group Risk Management Framework as part of Group Audit's annual plan.
- 27) Oversee the activities of the Board Legal, Regulatory & Compliance Committee in relation to material legal and regulatory change relevant to the Westpac Group, material litigation (including class actions) and regulatory investigations involving the Westpac

Group, compliance, conduct risk, financial crime risk, customer remediation activities and customer complaints within Westpac Group and such other operational risk activities as are delegated to the Board Legal, Regulatory & Compliance Committee.

### Capital

- 28) Oversee and approve the Internal Capital Adequacy Assessment Process and in doing so:
- (a) review and recommend target capital ranges for regulatory capital for Board approval; and
  - (b) review and monitor capital levels for consistency with the Westpac Group's risk appetite.

### Stress testing

- 29) Approve the Westpac Group stress testing, including review and approval of the material scenarios adopted and monitor material stress testing results and management responses.

### Model Risk

- 30) Review and approve material changes to the Westpac Group Model Risk Policy for the management of model risk.
- 31) Review the monitoring of the performance of model quality and risk management.

### United States (US) Risk Committee

- 32) In its capacity as the Westpac Group's US Risk Committee:
- (a) oversee the key risks, risk management framework and policies of Westpac Group's US operations, including discharging the obligations set out under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act by providing the annual certification required under that section to the Federal Reserve Board; and
  - (b) receive reports and information from the Board Legal, Regulatory & Compliance Committee relevant to the Committee's role as Westpac Group's US Risk Committee.

### Credit risk

- 33) Review and approve the Westpac Group Credit Risk Management Framework.
- 34) Review and approve material 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.
- 35) 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.

- 36) Review and approve credit risk exposures outside the authority delegated to management.
- 37) Review the credit risk profile, performance and management of the Westpac Group's credit portfolio, including credit controls, portfolio asset quality, portfolio concentrations, provisioning levels, bad debt performance, risk rating system and associated risk estimates.
- 38) Review and approve material changes, as determined by the Chief Risk Officer, to the provisioning methodology for the Westpac Group and review and approve credit provisioning levels for external financial reporting purposes.

#### Market risk

- 39) Review and approve the Westpac Group Market Risk Management Framework.
- 40) 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.
- 41) Review the monitoring of the Westpac Group's market risk performance and exposure against limits.
- 42) Review market risk positions, including structural interest rate risk positions for the Westpac Group.

#### Liquidity risk

- 43) Review and approve the Westpac Group Liquidity Risk Management Framework.
- 44) Review and approve key policies and limits supporting the Westpac Group Liquidity Risk Management Framework.
- 45) Review and approve the annual funding strategy for the Westpac Group and oversee management's monitoring of that plan.
- 46) Oversee stress testing results, including approving liquidity targets and limits.
- 47) Review the monitoring of the Westpac Group's liquidity position and requirements.
- 48) Review and approve recovery and resolution plans, as required.

#### Operational risk

- 49) Review and approve the Westpac Group Operational Risk Management Framework.
- 50) Review the monitoring of the performance of operational risk management and controls to the extent not delegated by the Committee to the Board Legal, Regulatory & Compliance Committee.

- 51) Review and approve key policies supporting the Operational Risk Management Framework to the extent not delegated by the Committee to the Board Legal, Regulatory & Compliance Committee.
- 52) Review reports on Westpac Group's policies and safeguards for assuring information security, including the assessment and management of data quality, systems to detect and respond to data breaches and cyberattacks, and information security testing results that identify material information security control deficiencies requiring remediation.

#### Reputation risk

- 53) Review and approve the Westpac Group Reputation Risk Management Framework.
- 54) Review the monitoring of the Westpac Group's reputation risk performance and controls.

#### Other risks (including sustainability risk, equity risk, related entity risk, insurance risk, business risk, aggregate risk exposures, and others as identified by the Committee)

- 55) 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).

#### Emerging risks

- 56) Monitor changes anticipated for the economic and business environment, including consideration of emerging risks and other factors considered relevant to the Westpac Group's risk profile and risk appetite.

#### Other responsibilities

- 57) Receive and review reports from the Board Legal, Regulatory & Compliance Committee.
- 58) Receive and review reports as required by regulation.
- 59) Recommend to the Board the appointment and removal of the Chief Risk Officer.
- 60) Review the performance of, and set objectives for, the Chief Risk Officer. The Chief Risk Officer will have unfettered access to the Westpac Board and the Committee.
- 61) Review and update the Charter at least every two years and recommend changes to the Board for approval.
- 62) Review its own performance as part of the annual Board evaluation process and report such findings to the Board.
- 63) Retain independent legal, accounting or other advisors to the extent the Committee considers necessary.
- 64) Members of the Committee will be available to meet with APRA and other regulators on request.

## Delegation to act

- 65) The Committee may, in its discretion, delegate some or all of its duties and responsibilities to the Chairman of the Committee or the Chairman of the Board and may delegate any of its duties and responsibilities to a sub-committee of the Committee.

## DOCUMENT CHANGE HISTORY

Version Number	Conducted by	Approved by	Date	Description of changes
1	Risk Management Committee	Board	15 July 2010	Annual Review - minor amendments made
2	Risk Management Committee	Board	12 July 2011	Annual Review - minor amendments made
3	Risk Management Committee	Board	1 May 2012	Annual Review - minor amendments made
4	Risk Management Committee	Board	5 May 2014	Biennial Review - amendments made to comply with prudential standard changes.
5	Board Risk & Compliance Committee	Board	10 December 2015	Annual Review - amendments made to comply with prudential standard changes.
6	Board Risk & Compliance Committee	Board	4 August 2016	Amendments for inclusion of conduct risk and oversight as US Risk Committee pursuant to US regulations.
7	Board Risk & Compliance Committee	Board	2 August 2018	Biennial Review - amendments made to reflect regulatory change (for example, the Banking Executive Accountability Regime) and minor changes to reflect current practice for consistency with other charters.
8	Board	Board	28 September 2018	Out of Cycle Review - Amendment of references to 'risk culture' to clarify the Role of the Board and the Role of Management.
9	Board Risk & Compliance Committee	Board	1 December 2019	Annual Review - amendments made to comply with regulatory and governance requirements.
10	Board Risk Committee	Board	1 June 2020	Annual Review - amendments made to comply with regulatory and governance requirements and to reflect Committee name change and the creation of a sub-committee to assist with certain aspect of the Board Risk Committee's remit.