

# **Board Risk Committee Charter.**

23.11.2023

1. Introduction.	Error! Bookmark not defined.
2. Responsibilities of the Committee.	2
3. Authority.	4
4. Composition and Membership.	4
5. Meetings.	4
6. Voting and Conflicts of Interest.	5
7. Committee Performance.	5
8. Review and publication of Charter.	6

# 1. Introduction.

- 1.1 The boards of Judo Capital Holdings Limited and Judo Bank Pty Ltd (collectively “Judo”) (the “Board”) are responsible for ensuring that Judo has a risk management framework that is appropriate to the size, business mix and complexity of the business and that the risk management framework is consistent with Judo’s strategic objectives and business plan.
- 1.2 This Charter sets out the roles and responsibilities, membership, and terms of operation of the Board Risk Committee (“Committee”), which has been established by the Board.
- 1.3 In discharging its responsibilities, the Board has delegated authority to the Committee in accordance with the provisions of this Charter as well as any powers conferred by statute, regulation, or regulatory authority requirements.

## 2. Responsibilities of the Committee.

- 2.1 The Management team is responsible for:
  - implementing and maintaining appropriate risk management principles, frameworks, policies, processes and internal controls designed to identify, monitor and manage risk.
  - the preparation, provision and integrity of information presented to the Committee
- 2.2 The Management Board Risk Committee provides oversight of the responsibilities of the management team and shall report to the Committee on all matters about which the Committee or Board should be informed of, or provided assurance, in relation to risk.
- 2.3 The responsibilities and duties of the Committee are to:
  - a. Advise the Board on Judo’s Risk Appetite Statement (RAS) and to endorse for approval by the Board at least annually;<sup>1</sup>
  - b. Advise the Board on Judo’s Risk Management Strategy (RMS) and endorse to the Board for approval periodically;<sup>3</sup>
  - c. Review the results from the independent comprehensive review of the Risk Management Framework (RMF) undertaken at least once every three years;<sup>2</sup>
  - d. Receive and review reports from Management or any Board committee on any significant breaches of, or material deviation from, the RMF, any material incident involving fraud or a material break-down of risk controls; and resolution of significant risk matters and incidents, including monitoring Management’s remediation plans.
  - e. Provide constructive challenge of Management’s proposals and decisions on all aspects of risk management arising from Judo’s activities;<sup>3</sup>
  - f. Provide oversight that management are monitoring and managing all material risks relevant to Judo (as articulated in the RMS) and consistent with strategic objectives, RAS, and Board-approved policies;<sup>4</sup>

<sup>1</sup> CPS 510, paragraph 106(a)

<sup>2</sup> CPS 220, paragraph 45

<sup>3</sup> CPS 510, paragraph 106(d)

<sup>4</sup> CPS 220 – paragraph 9 (c)

- g. Provide oversight of management’s implementation and operation of the RMS<sup>5</sup>, including Judo’s operational structure that facilitates effective risk management<sup>6</sup> and adequacy of risk management resources;<sup>7</sup>
- h. Consider emerging risk issues, trends or changes in the economic and regulatory environment that could have a significant financial, regulatory or reputational impact and escalate to the Board as required;
- i. Review and, if deemed satisfactory, recommend the approval of Judo’s Internal Capital Adequacy Assessment Process and to provide oversight of Judo’s current and future risk position relative to its risk appetite and capital strength;<sup>8</sup>
- j. Support the Board Remuneration and Nominations Committee as necessary in relation to the management of risk through Judo’s Remuneration Policy including reviewing the performance and setting the objectives of the CRO;<sup>9</sup>
- k. Review the continuing independence, integrity, and effectiveness of the CRO and the risk management function;<sup>10</sup>
- l. Have oversight on the appointment or dismissal of the CRO and discuss with APRA the reasons for removal within 10 business days;<sup>11</sup>
- m. Review and have oversight of the effectiveness of Judo’s Compliance Framework including any anti-money laundering program and to monitor any material breaches or deviation from Judo’s Compliance Framework;
- n. Review, consider and approve Judo’s large exposures criteria for the purpose of reporting such exposures to the Management Board and the Committee;
- o. Review, consider and approve Judo’s risk grading system for managing Judo’s credit risk exposure;
- p. Consider, review and if deemed satisfactory, approve credit exposures outside the Judo delegated lending authorities (Judo Lending Authority Framework);<sup>12</sup>
- q. Review and, if deemed satisfactory, approve or recommend to the Board for approval frameworks and policies for Judo’s:
  - i. measurement and reporting of impaired assets
  - ii. assessment and monitoring of collateral values
 and any other frameworks and policies relevant to the RMS and RAS<sup>13</sup> requiring Board or Board Committee approval and in reference to Judo’s Policy Governance Framework.
- r. Oversee Judo's insurance program, having regard to Judo's business and the insurable risk associated with its business.
- s. Perform the diligence required to satisfy the Committee and recommend to the Board, the making of the annual risk management declaration required under Prudential Standard CPS 220 Risk Management (Attachment A).<sup>14</sup>

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<sup>5</sup> CPS 510 – paragraphs 106 (c)

<sup>6</sup> CPS 220 – paragraph 9(d)

<sup>7</sup> CPS 220 – paragraph 9(f)

<sup>8</sup> CPS510 - paragraph 106(b)

<sup>9</sup> CPS510 - paragraph 106(e)

<sup>10</sup> CPS510 – paragraphs 106(e), CPS 220 - paragraph 37, 39

<sup>11</sup> CPS510 - paragraphs 106(f), 107

<sup>12</sup> APS220 - paragraph 19

<sup>13</sup> CPS 220 – paragraph 9(e)

<sup>14</sup> CPS 220 – paragraph 49

## 3. Authority.

- 3.1 The Board authorises the Committee, within the scope of its responsibilities to:
- a. monitor, advise on and, where applicable, approve all matters falling within its purpose and duties as set out in this Charter or as directed by the Board;
  - b. seek any information it requires from the Chief Executive Officer ("CEO"), Chief Risk Officer ("CRO"), or Chief Financial Officer ("CFO"). The Committee shall have unfettered access to senior management, any employees or any internal or external parties at any time, to request relevant and additional information or seek explanations as it deems necessary; and
  - c. obtain, at the expense of the Judo, external legal or other independent professional advice or to arrange for the attendance at meetings, at the expense of the Judo, of outside parties with relevant experience and expertise if it considers this necessary.
- 3.2 The Committee does not take action or make decisions on behalf of the Board unless specifically mandated. The Committee is not responsible for the day-to-day management functions or operation of the business. However, the Board may consider advice from the Committee in relation to its RAS and the effectiveness of the RMF.
- 3.3 The Board has delegated authority to the Committee to approve credit exposure limits in excess of those authorised delegated authority limits and other matters within the RAS or RMF.
- 3.4 The Committee may delegate its authority in accordance with the Delegations of Authority provided such delegation is recorded in its minutes.

## 4. Composition and Membership.

- 4.1 The Committee will comprise at least three (3) directors, a majority of whom shall be 'independent' directors as determined by resolution of the Board. All members of the Committee will be non-executive directors.
- 4.2 The Chair of the Committee will be appointed by the resolution of the Board and will be an independent director.
- 4.3 The Chair of the Board may be a member of the Committee however cannot be its Chair.
- 4.4 The membership of the Committee will be reviewed annually by the Board, or as deemed necessary by the Board. Committee members are to, between them, have the necessary technical knowledge and sufficient understanding the industry in which Judo operates, to be able to discharge the Committee's responsibilities.
- 4.5 To ensure the flow of relevant information, there shall be some common membership between the Committee and the Board Audit Committee (as determined by the Board).
- 4.6 The Company Secretary will be responsible for keeping membership records.

## 5. Meetings.

- 5.1 The Committee shall meet at a minimum six (6) times per year or more frequently as so required.
- 5.2 A quorum for a meeting shall consist of not less than half of the Committee members eligible to vote on a matter.
- 5.3 The Chair and the Company Secretary, in consultation with the Chief Risk Officer, will be responsible for setting the agenda for each meeting subject to input from any Committee member.

- 5.4 The CEO and directors of the Board who are not members of the Committee are entitled to attend Committee meetings and have access to Committee materials.
- 5.5 The Committee may request members of the Management Board to attend part, or all, of any Committee meeting. The CRO (or their delegate, subject to prior approval by the Chair) shall attend all relevant sections of the Committee meetings.<sup>15</sup>
- 5.6 Committee meetings may take place using any form of technology that the Chair deems appropriate.
- 5.7 The Chair may, at their discretion, determine that the Committee's approval authority be delegated to a group comprising not less than two members of the Committee.
- 5.8 The meeting agenda and supporting documentation will be circulated to the Committee members within a reasonable timeframe prior to each meeting.
- 5.9 Should the Chair of the Committee be absent from a meeting, the members of that Committee present will appoint another independent director as Chair for that particular meeting (other than the Chair of the Board).
- 5.10 The Company Secretary will circulate minutes of meetings to members of the Committee within a reasonable period following each meeting. The draft minutes shall then be tabled at the next Committee meeting for final review, and approval and signing by the Chair.
- 5.11 Copies of the Committee minutes, together with such reports received by the Committee as are deemed appropriate, will be tabled to the Board. The Chair of the Committee will update the Board with a verbal report at the Board meeting following each Committee meeting.

## 6. Voting and Conflicts of Interest.

- 6.1 Each member present at a Committee meeting, including the Chair, has one vote.
- 6.2 In the event that votes are deadlocked, the Chair does not have a casting vote.
- 6.3 Any Committee member with a real or perceived conflict of interest, may not:
  - a. be present at a meeting while the matter is being considered by the Committee; and
  - b. vote on the matter being considered by the Committee,
 unless the other members of the Committee agree otherwise.

## 7. Committee Performance.

- 7.1 The Board shall undertake a regular review, at least annually, of the Committee's effectiveness and performance as outlined in the Board Assessment Framework. The review will consider objectives and responsibilities including (without limitation) any matter set out in this Charter.

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<sup>15</sup> CPS510 - paragraph 109

## 8. Review and publication of Charter.

- 8.1 The Committee is responsible for reviewing this Charter, and at least annually, and recommending any amendments to the Board. If the amendments to this Charter are not considered material, the Committee may approve the amendments without the need for the Board approval.
- 8.2 The Charter is available on Judo's website.