



# Board Risk Committee Charter

October 2021

## 1. Introduction

- 1.1 The boards of Judo Capital Holdings Limited and Judo Bank Pty Ltd (collectively “Judo”) (the “Board”) is responsible for the objective oversight and implementation of Judo’s risk management framework<sup>1</sup> (“RMF”) which is contained within Judo’s Risk Management Strategy (“RMS”).
- 1.2 This charter sets out the role, composition and responsibilities of the Board Risk Committee (“Committee”), a committee established by the Board.
- 1.3 The Committee’s role is to assist the Board to fulfil its responsibilities in relation to Judo’s risk appetite statement (“RAS”), RMS, RMF and risk culture<sup>2</sup>.

## 2. Purpose

- 2.1 The purpose of the Committee is to advise and assist the Board to fulfill its responsibilities in relation to Judo’s risk management including strategies, policies, frameworks for implementation and how these support Judo’s business strategy and culture.
- 2.2 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.
- 2.3 The Board may place reasonable reliance on the Committee’s advice and recommendations as it deems necessary.

## 3. Membership

- 3.1 The Committee will comprise at least three 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.
- 3.2 The Chair of the Committee will be appointed by the resolution of the Board and will be an independent director. The Chair of the Board may be a member of the Committee however cannot be its Chair. 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).
- 3.3 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 and duties (as set out in paragraph 5 below) effectively.
- 3.4 Each member of the Committee must be available to meet with representatives of APRA on request.
- 3.5 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).
- 3.6 The Company Secretary will be responsible for keeping membership records.

## 4. Authority

- 4.1 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 to satisfy itself as to the adequacy of the risk management functions from the Chief Executive Officer (“CEO”), Chief Risk Officer (“CRO”), or Chief

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<sup>1</sup> CPS510 -101

<sup>2</sup> CPS220 – Objectives

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.

- 4.2 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.
- 4.3 The Board has delegated authority to the CRO<sup>3</sup> for the day-to-day oversight of risk management within Judo and has authorised approved delegated authority limits to approve operational and credit risk exposures within certain parameters as specified in the RAS, RMF or the Delegation Framework.
- 4.4 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.
- 4.5 The Committee may delegate its authority in accordance with the Board Delegation Framework provided such delegation is recorded in its minutes.

## 5. Responsibilities and Duties of the Committee

- 5.1 The Management team is responsible for implementing and maintaining appropriate risk management principles, policies, processes and internal controls designed to identify, monitor and manage risk.
- 5.2 The Management Board Risk Committee provides oversight of the responsibilities of the Management team and is responsible for the preparation, provision and integrity of information. The Management Board Risk Committee 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.
- 5.3 The responsibilities and duties of the Committee are:
  - (a) To advise the Board of Judo’s RAS, RMF and RMS and to endorse for approval by the Board on an annual basis;<sup>4</sup>
  - (b) To review the external review of the effectiveness, adequacy and appropriateness of Judo’s RMF completed at least once every three years;<sup>5</sup>
  - (c) To receive and review reports from Management or any Board Committee on any significant breaches of, or material deviation from, the RAS, RMF and / or RMS, any material incident involving fraud or a break-down of risk controls; and resolution of significant risk matters and incidents, including monitoring Management’s remediation plans.
  - (d) To consider, review and if deemed satisfactory, approve credit exposures outside the Judo delegated lending authorities (Judo Lending Authority Framework);<sup>6</sup>
  - (e) To provide constructive challenge of the Management team’s decisions on all aspect of risk management arising from Judo’s activities;<sup>7</sup>
  - (f) To provide oversight that all material risks relevant to Judo have been appropriately identified, managed and reported to the Board in accordance with the RMF, RAS and RMS;<sup>8</sup>

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<sup>3</sup> CPS220 – 38

<sup>4</sup> CPS510 – 108 (a), CPS 220 – 9 (a)

<sup>5</sup> CPS 220 - 45

<sup>6</sup> APS220 -19

<sup>7</sup> CPS 510 – 108 (d)

<sup>8</sup> CPS 220 – 9 (c)

- (g) To review the continuing independence, integrity and effectiveness of the CRO and the risk management functions;<sup>9</sup>
- (h) To provide oversight of the Management Board's implementation and operation of the RMS<sup>10</sup>, Judo's operational structure in order to facilitate effective risk management<sup>11</sup> and adequate risk management resources;<sup>12</sup>
- (i) To review emerging risk issues or changes anticipated in the economic, business and regulatory environment (including consideration of emerging trends) and other factors considered relevant to the RAS, to monitor them and advise the Board of any new risks or opportunities that could have a significant financial, regulatory or reputational impact;
- (j) To 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>13</sup>
- (k) To support and assist 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, and ensuring the CRO has unfettered access to the Board and the Committee;<sup>14</sup>
- (k) To have oversight on the appointment or dismissal of the CRO and discuss with APRA the reasons for removal within 10 business days;<sup>15</sup>
- (m) To review, consider and approve Judo's large exposures criteria for the purpose of reporting such exposures to the Management Board and this Committee;
- (n) To review, consider and approve Judo's risk grading system for managing Judo's credit risk exposure;
- (o) To review and have oversight of the effectiveness of the Judo Compliance Framework including any anti-money laundering program and to monitor any material breaches or deviation from Judo's Compliance Framework;
- (p) To review and, if deemed satisfactory, recommend to the Board for approval frameworks and policies for Judo's:
  - measurement and reporting of impaired assets; and
  - assessment and monitoring of collateral values;
- (q) To oversee Judo's insurance program, having regard to Judo's business and the insurable risk associated with its business.
- (r) To review any frameworks and policies relevant to the RMS and to advise the Board on their effectiveness or, where the Committee has been delegated authority to approve changes to the relevant policy, procedures or framework, to vary or approve it;<sup>16</sup>and
- (s) To perform the diligence required to satisfy the Committee and subsequently recommend to the Board, the making of the annual risk management declaration (as set out in Attachment A, Prudential Standard CPS 220 Risk Management Declaration).<sup>17</sup>

## 6. Attendance

- 6.1 The CEO and directors of the Board who are not members of the Committee are entitled to attend Committee meetings and may request to receive copies of the papers.

<sup>9</sup> CPS510 -108 (c) & (d), CPS 220 - 39

<sup>10</sup> CPS 510 – 103, 108 (c)

<sup>11</sup> CPS 220 – 9(d)

<sup>12</sup> CPS 220 – 9 (f)

<sup>13</sup> CPS510 -108(b)

<sup>14</sup> CPS510-108(e)

<sup>15</sup> CPS510 -108 (f), 109

<sup>16</sup> CPS 220 – 9 (e)

<sup>17</sup> CPS220 – 49

- 6.2 The CRO (or his/her nominee, subject to prior clearance by the Chair) shall attend all relevant sections of the Committee meetings.<sup>18</sup>

## 7. Meetings

- 7.1 The Committee shall meet every second month or more frequently if so required.
- 7.2 A quorum for a meeting shall consist of not less than half of the Committee members eligible to vote on a matter.
- 7.3 The Chair and the Company Secretary will be responsible for setting the agenda for each meeting subject to input from any Committee member.
- 7.4 Subject to the prior consent of the members, a Committee meeting may take place using any form of technology that the Chair deems appropriate.
- 7.5 The Chair may, in his/her discretion, determine that the Committee's approval authority be delegated to a group comprising not less than three members of the Committee.
- 7.6 The Chair shall, to the extent possible, act as the liaison between the Management Board and the Committee members.
- 7.7 The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The Company Secretary of the Committee will circulate minutes of meetings to members of the Committee and the Board within a reasonable period following each meeting.
- 7.8 Risk is to be a standard agenda item for the Board meetings upon which the CRO is to report. Copies of the Committee minutes, together with such reports received by the Committee as are deemed appropriate, will be included in the monthly Board reports. The Chair of the Committee will update the Board with a verbal report at the Board meeting following each Committee meeting.

## 8. Voting

- 8.1 Each member present at a Committee meeting, including the Chair, has one vote.
- 8.2 In the event that votes are deadlocked, the Chair does not have a casting vote.
- 8.3 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.

## 9. Review of the Committee

- 9.1 The Board shall undertake a regular review, at least annually, of the Committee's performance, objectives and responsibilities including (without limitation) any matter set out in this charter.
- 9.2 The Committee may recommend to the Board any amendments to this charter.

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<sup>18</sup> CS510 -111