

BOARD FINANCIAL RISK COMMITTEE CHARTER

As at 12/12/2022

As part of Bendigo and Adelaide Bank Limited's (the **Bank**) Corporate Governance Framework, the Bank's board (the **Board**) has a separate Board Financial Risk Committee (the **Committee**) which assists the Board to carry out its responsibilities.

1. ROLE

- a) The Committee is a committee of the Bendigo and Adelaide Bank Board. Its purpose is to provide the Board with objective and active oversight of the Group's risk profile and the risk management framework in relation to financial risks (including climate change financial risks, biodiversity and natural capital risk).
- b) In the discharge of its responsibilities, the Committee ensures that the strategies, policies and practices it oversees comply with legal and regulatory requirements, align with the Bank's purpose, values and strategic objectives and are consistent with the Bank's risk appetite and culture.

2. RESPONSIBILITIES

The Committee is responsible for:

2.1 Financial risk appetite and risk management frameworks

The Committee's responsibilities include:

- a) Recommending to the Board on changes to the Risk Appetite Statement and primary and secondary risk appetite settings for financial risks;
- b) Recommending to the Board on changes to the risk management frameworks for financial risks;
- c) Considering and deciding, as required, proposed changes to rating systems, models, limits and tolerances used to govern financial risks which are consistent with the risk management strategy and risk appetite. Where required, and if supported by the Committee, the matter will be recommended for decision by the Board;
- d) Monitoring material changes to financial risk policies approved by management committees under delegation;
- e) Monitoring emerging trends and risks that may impact the financial risk profile along with relevant legislative, regulatory and industry developments and overseeing management's plans to manage these risks and developments;
- f) Monitoring the independence, performance and effectiveness of the risk management function for financial risks;
- g) Considering and deciding the Internal Capital Adequacy Assessment Process (ICAAP), with significant changes to the ICAAP to be recommended to the full Board.

- h) Reviewing capital target ranges, overseeing capital management and monitoring levels for consistency with the risk appetite.
- i) Reviewing results of enterprise stress tests.

2.2 Credit Risk

The Committee shall:

- a) Monitor the risk profile and performance of the credit portfolios including portfolio composition, risk concentrations, portfolio analytics, arrears performance, provisioning, non-performing loans and loss performance;
- b) Monitor the performance of credit risk rating models and scorecards;
- c) Review the outcomes of portfolio stress testing undertaken to assess the financial impact and resilience to severely stressed conditions.
- d) Monitor changes to, and continuing appropriateness of, the delegated lending authority framework for the business (approved by the MCC) under which day to day transactional credit decisions are made;
- e) Monitor the outcomes from credit risk reviews completed by Group Assurance;
- f) Oversee management actions to resolve material high risk non-performing exposures and review and decide the six-monthly collective provision assessments. This includes deciding any material changes to the provisioning methodology;
- g) Oversee the activities and decisions of the MCC and its sub-committees comprising the Management Credit Decisioning Committee, the Lending Standards Review Committee and the CPC; and
- h) Review and decide on changes to the role and responsibilities of the MCC as described in the MCC Charter.

2.3 Interest Rate Risk, Traded Market Risk and Liquidity Risk

The Committee shall:

- a) Monitor the operating environment including economic, industry, market and regulatory developments in the context of the risk appetite and risk management framework.
- b) Monitor compliance with capital, interest rate risk, traded-market risk and liquidity risk management policies, limits and tolerances.
- c) Monitor the funding strategy, funding mix and maturity profile.
- d) Monitor the activities and decisions of the Asset and Liability Management Committee (ALMAC).

2.4 Specific Management Committee Delegations

- (a) The MCC is delegated the authority to consider and decide on transactional credit submissions (exceeding business unit delegated lending authorities) that are within the credit risk appetite and limits.
- (b) The MCC is also delegated the authority to consider and decide on recommended changes to specific limits assigned to individual treasury counterparties.

2.5 Policy approval delegations

- (a) The CPC is delegated the authority to assess, develop, amend and approve changes to existing credit policy.
- (b) The MCC is delegated the authority to consider, and if thought appropriate, approve new or substantially amended credit policies based on recommendations from the CPC.

3. OTHER RESPONSIBILITIES

Prudential Assurances: Review management assurances provided to the Committee and Board to support annual prudential declarations on the risk management frameworks and ICAAP.

Prudential Reviews: Review reports from APRA on the outcomes of prudential risk reviews for financial risk and monitor the process of management to address recommendation from these reviews.

APRA: Members of the Committee must be available to meet with APRA, or any other regulator, on request and will deal with APRA and other regulators in an open, constructive and co-operative way.

Reviews: The Committee may initiate reviews as needed to fulfil its responsibilities under this charter and shall report to the Board on any new or significant financial risk developments.

Charters: Review and decide of changes to the MCC and ALMAC Charters.

General:

- a) Any other responsibilities delegated to the Committee by the Board from time to time relating to financial risk management.
- b) The Committee may refer matters to other board committees for specialist knowledge. Other board committees may also refer material risk related matters to the Committee.
- c) Ensure that the Chief Risk Officer has unfettered access to the Committee.

4. TERMS OF OPERATION

4.1 Composition

- a) The Committee comprises at least three independent, non-executive Directors of the Bank (**Committee Members**).
- b) Committee Member appointment and rotation is at the discretion of the Board.
- c) The Board appoints one Committee Member as Committee Chair. The Chair of the Board may be a member of the Committee, but may not chair the Committee.
- d) At least one Member must have credit expertise.

4.2 Meetings

- a) The Committee meets at least quarterly and as often as the Committee or Board deems necessary for the Committee to discharge its role effectively. Each year the Committee approves a meeting planner setting out the standing items of business, reports and policy reviews to be considered during the year.
- b) The Committee Chair reports to the Board on the outcomes of Committee meetings.
- c) A quorum is two Committee Members.
- d) The Chief Risk Officer has a standing invitation to all Board Financial Risk Committee meetings and may request to meet with the Committee.
- e) The Committee may, by invitation, request employees and third parties to attend Committee meetings on a standing or ad hoc basis.
- f) Minutes of each Committee meeting are provided to the next meeting of the Committee. Approved Committee minutes are tabled at the next Board meeting.

4.3 Access to information and independent advice

- a) The Committee is authorised to seek any information it requires from any Group employee or from any other source. It is entitled to meet with employees and third parties without the presence of management.
- b) The Committee may consult a professional adviser or expert, at the cost of the Bank, if the Committee considers it necessary to carry out its duties and responsibilities.

4.4 APRA

Committee members will meet with APRA on request.

4.5 Committee performance

- a) The Committee assesses its performance annually.
- b) The Committee reviews this Charter at least every three years and recommends any amendments to the Board.

4.6 Delegation

The Committee may delegate its responsibilities to a sub-committee of one or more Committee Members for a specific purpose. Any such sub-committee will report directly to the Committee.

Adopted by the BEN Board	15 December 2003
Last revised	12 December 2022
Next review date	December 2025
BEAR Accountable Person	Each member of the Board Financial Risk Committee