



RABOBANK AUSTRALIA LIMITED

ABN 50 001 621 129

BOARD RISK AND COMPLIANCE COMMITTEE CHARTER

Effective: 28 May 2019

1 Purpose of Charter

This Charter sets out the authority, responsibilities, membership and operation of the Board Risk and Compliance Committee (**Committee**) of Rabobank Australia Limited (**Company**).

2 Authority

- 2.1 The Committee is appointed and authorised by the Board of Directors of the Company (**Board**) to assist the Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities and to provide objective, non-executive review and oversight of the implementation, adoption and effectiveness of the Company's risk management and compliance frameworks.
- 2.2 The authority of the Committee is sourced from:
- (a) the Company's Constitution;
 - (b) this Charter; and
 - (c) separate Board delegations, resolutions and approvals granted to it from time to time.
- 2.3 The Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and may retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.
- 2.4 The Committee may form and delegate authority to sub-committees comprised of one or more members. Any such sub-committee will have the full power and authority of the Committee, subject to the terms of its delegated authority, and must report to the Committee in relation to material developments arising in the exercise of that authority.

3 Duties and Responsibilities

- 3.1 The Committee is responsible for:
- (a) oversight of the risk profile and risk management of the Company within the context of the Board determined risk appetite and relevant APRA prudential standards;
 - (b) making recommendations to the Board concerning the Company's current and future risk appetite, risk management strategy, internal capital adequacy assessment process and particular risks or risk management practices;
 - (c) reviewing management's plans to mitigate material risks faced by the Company;
 - (d) oversight of the implementation and operation of the Company's risk management framework and internal compliance and control systems, including reviewing the risk

management framework and compliance framework at least annually to confirm that they continue to be sound;

- (e) commissioning a comprehensive review (to be conducted at least every three years by independent experts) on the appropriateness, effectiveness and adequacy of the risk and compliance frameworks, and considering the results of the review;
- (f) oversight and reviewing the outcomes of stress testing of the Company's risk portfolio, including both scenario analysis and sensitivity analysis for the Group's internal capital adequacy assessment process and internal liquidity adequacy assessment process;
- (g) oversight of the promotion by management of awareness of a risk and compliance-based culture, including in respect of conduct risk, and the establishment by management of a balance between risk and reward for risks accepted;
- (h) oversight of material risk and compliance policies;
- (i) ensuring the Chief Risk Officer (**CRO**), Chief Compliance Officer (**CCO**), and executive management have unfettered access to the Committee via the Committee Chair; and
- (j) referring any matters of significant importance to the Board for its consideration and attention.

3.2 In performing the oversight responsibilities referred to in clause 3.1, the Committee will:

- (a) consider, monitor and approve, as required, the Company's material strategies, frameworks, policies, models and functions in place to govern risk-taking that are consistent with the risk management strategy and the established risk appetite of the Company (as determined by the Board);
- (b) assist the Board in its review of the Company's strategic objectives and business plan, including their impact on the Company's risk profile and consistency with the risk management strategy and established risk appetite of the Company (as determined by the Board);
- (c) oversee the extent to which:
 - (i) a risk management culture and compliance culture have been embedded throughout the Company;
 - (ii) key risk and compliance related strategies, frameworks, policies, processes, models, limits and regulatory requirements (inclusive of conduct risk) have been embedded throughout the Company; and
 - (iii) where the Committee is advised that the Company's risk management and compliance systems, limits and methodologies deviate from those of the global Rabobank Group, such deviations are appropriate having regard to the business and specific requirements of the Company;
- (d) establish a view of the Company's current and future risk position relative to its risk appetite and capital strength;
- (e) recognise uncertainties, limitations and assumptions attached to the measurement of each material risk;

- (f) review the Company's framework for monitoring compliance with regulatory requirements, and for addressing identified non-compliance;
- (g) receive and review reports from management in relation to the Company's material risks, including overseeing management's plans to mitigate those risks, as well as material breaches and non-compliance;
- (h) at least annually, review and approve the Company's liquidity risk management framework and practices, including the Company's liquidity management strategy and policy, statement of liquidity risk tolerance, the annual funding strategy and contingency funding plan, and oversee management's monitoring and management of liquidity risk, and consider stress testing results;
- (i) review attestations made by senior management to support the Board to prepare and submit an annual risk management declaration to APRA;
- (j) constructively challenge senior management's proposals and decisions that have been brought to the attention of the Committee regarding aspects of risk management arising from the Company's activities that may have a material impact on it;
- (k) oversee the performance, effectiveness and operational independence of the Company's risk management and compliance functions, including whether they are appropriate for the size, business mix and complexity of the Company, and whether sufficient resources are allocated to these functions;
- (l) review any issues identified to the Committee by External Auditors or Internal Audit that may materially impact the Company's risk management framework, compliance framework, or the risk management and compliance functions; and
- (m) review the Company's insurances.

3.3 In addition, the Committee will:

- (a) as appropriate, oversee and make recommendations to the Board in relation to the appointment of the CRO (including establishing objectives for the role);
- (b) meet privately with the CRO and/or the CCO, as required;
- (c) consider significant correspondence with the Company's regulators and management's responses, and receive reports from management on the Company's regulatory relations;
- (d) obtain from management, on an annual basis, reasonable assurance that the policies and controls designed to maintain compliance with those laws and regulations applicable to the Company's various business activities are being adhered to;
- (e) refer to the Board Audit Committee or Board Remuneration Committee any matters that have come to the attention of the Committee that are relevant for those Committees;
- (f) examine any other matters referred to it by the Board (including to do with regulators such as, inter alia, APRA, ASIC, AUSTRAC, De Nederlandsche Bank (**DNB**) and the European Central Bank (**ECB**)); and
- (g) review material correspondence between the Company and regulators including correspondence received by the Company identifying specific concerns and management's responses.

3.4 Members will be available to meet with regulators on request.

Limitations

- 3.5 The Committee's principal function is one of supervision, oversight and monitoring. The Committee performs its principal function based on information provided to it by management. Management is responsible for the preparation, presentation and integrity of information provided to the Committee and drawing the Committee's attention to material matters. The Board itself remains ultimately responsible for the risk appetite and risk settings.

4 Reporting and Evaluation

- 4.1 The agenda and supporting documentation will be circulated to Committee members within a reasonable period in advance of each meeting.
- 4.2 The Secretary or his/her delegate will prepare minutes from each Committee meeting and will circulate them to the Committee and Board members at the next available meeting. The minutes will be signed by the Chair of the Committee.
- 4.3 All Committee papers will be made available to directors who are not members of the Committee upon request.
- 4.4 The Committee, through its Chair, will advise the Board of any matters of significant importance or which should otherwise be brought to the attention of the Board and any recommendations requiring Board approval and/or action. This will be done at the earliest appropriate opportunity.
- 4.5 The Committee will make recommendations to the Board regarding the:
- (a) establishment and approval of the Company's Risk Appetite Statement, which addresses material risks; and
 - (b) acceptance of risk-related and compliance-related limits, policies and regulatory certifications deemed by the Committee as requiring Board approval.
- 4.6 An evaluation of the Committee's performance as it relates to this Charter will be performed annually as a part of the Board Performance Review.

5 Composition

- 5.1 The Committee must consist of a minimum of five members (including the Committee Chair), all of whom must be Non-Executive directors and a majority of whom must be Independent. At least one member of the Committee must also be a member of the Board Audit Committee.
- 'Independence' for these purposes will be assessed by reference to the Standards adopted by the Board from time to time.
- 5.2 Members of the Committee are appointed by the Board.
- 5.3 Having regard to the Company's operational, financial and strategic risk profile, it is appropriate that members have a diverse range of backgrounds, skills and experiences.
- 5.4 Directors must act in manner which is consistent with the Conflict of Interest Protocol.

6 Chair

- 6.1 The Committee Chair will be appointed by the Board and must be an Independent Non- Executive director of the Company.
- 6.2 Whilst the Committee Chair must not be the Chair of the Board, he/she may also be the Chair of the Board Audit Committee.

- 6.3 Should the Committee Chair not attend a meeting, the meeting must be chaired by person who is an Independent director.
- 6.4 The Committee Chair will not have a casting vote.
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7 Meetings

- 7.1 Members may attend meetings in person or by electronic means.
- 7.2 The Committee should meet often enough to undertake its role effectively, but not less than four times per year.
- 7.3 In addition, the Committee Chair may call a meeting at any time and will call a meeting of the Committee, if so requested by any member of the Committee or by the Chair of the Board, on reasonable notice.
- 7.4 At a minimum, a quorum will be four members with at least two Independent directors and two non-Independent directors in attendance.
- 7.5 Directors who are not members of the Committee, the CEO and other executives may attend meetings at the invitation of the Committee Chair.
- 7.6 The CRO and CCO are expected to attend each scheduled meeting of the Committee.
- 7.7 Any other persons of the Company and/or parties external to the Company may be invited by the Chair (or the Committee Secretary at the direction of the Chair) to attend all or part of any Committee meeting.
- 7.8 The Committee may meet from time to time without the presence of management, provided that the CRO and/or the CCO are invited to attend all relevant sections of other meetings.
- 7.9 The Company Secretary or a designate will be appointed or otherwise act as Secretary of the Committee (**Committee Secretary**).
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8 Direct Access

- 8.1 The Committee will at all times have free and unfettered access to the Company's senior management, risk and finance control personnel and other relevant internal and external parties including Internal Audit and the External Auditor.
- 8.2 The Committee Chair will keep the CRO and/or CCO (as appropriate) fully informed of relevant dialogue between the Committee and those parties referred to in clause 8.1 above.
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9 Review and publication of charter

- 9.1 The Committee will review its Charter at least every two years and at such other times as the Board considers appropriate to keep it up to date and consistent with the Committee's authority, objectives and responsibilities and to report to the Board any changes it considers should be made.
- 9.2 The Charter may be amended by resolution of the Board.
- 9.3 To the extent of any inconsistency between this Charter and the Constitution of the Company (or any rights of any majority shareholder under the Constitution), the Constitution (or those rights) will prevail.
- 9.4 This Charter supersedes any terms of reference or Committee charter previously in force.
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