

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

CONTENTS

	Page
1. Terms of Reference	
1.1 Objective	1
1.2 Composition	1
1.3 Term of membership	1
1.4 Secretarial and Meetings	1 - 2
1.5 Access	2
1.6 Duties and Responsibilities	2 - 3
1.7 Reporting	3
2. Operating Procedures	
2.1 General	4
2.2 Review the adequacy of risk management policies, systems and procedures	4-5
2.3 Insurance policies and cover	5
2.4 Risk management review	5
2.5 Business Continuity Management and Business Continuity Plan	5 - 6
2.6 Harmonised Prudential Standards	6 - 7
Appendix	8 - 9

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

1. COMMITTEE TERMS OF REFERENCE

The Committee is a sub-committee of the Board of Directors with its composition, objectives, terms of reference and duties and responsibilities as follows:

1.1 Objective

The primary objective of the committee is to assist the Board of Directors in discharging its responsibilities in relation to management of risk within the Group. Risk Management is described as the logical and systematic method of identifying, analysing, assessing, treating, monitoring, and communicating of risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities.

1.2 Composition

The Committee shall comprise a majority of non-executive directors. The Board of Directors shall appoint one of the directors Chair of the Committee.

The Chief Executive Officer or any other officers may be required to attend meetings of the Committee as required.

1.3 Terms of Membership

The Committee representatives, including the Chair of the Committee, shall be appointed annually by the Board.

1.4 Secretarial and Meetings

The General Manager Risk and Compliance shall be appointed Secretary of the Committee. The Secretary, in conjunction with the Chair, shall draw up an agenda which shall be circulated, together with explanatory documentation, at least one week prior to each meeting to the members of the Committee.

The Secretary will be responsible for keeping the minutes of meetings of the Committee, and circulating them to committee members and to other members of the Board of Directors.

The Committee will hold at least four regular meetings per year and such additional meetings as the Chair shall decide in order to fulfil its duties.

In addition, the Chair will call a meeting of the Committee if so requested by any committee member, or the Chairman of the Board of Directors.

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

A quorum for a Committee meeting is a majority of the appointed committee members.

1.5 Access

The Committee shall have unlimited access to senior management of the Group.

Subject to approval from the Board of Directors the Committee shall have the authority to consult independent experts where it considers it necessary to carry out their duties.

1.6 Duties and Responsibilities

The Committee will consider any matters where there is exposure of the Group to possible economic or financial loss, damage, injury or delay as a consequence of pursuing its business. In addition, the Committee will examine any other matters referred to it by the Board of Directors. The Committee responsibilities will be aligned with the Group governance structure and over-arching policy framework determined by the Board.

The duties of the Committee will be as follows:

Objective	Authority
▪ Provide advice to the Board on matters of due diligence, financial systems integrity and risks, which threaten the resources, and earnings of the Group, or the essential services provided by Group.	Review & recommend.
▪ Provide regular reports to the Board on risk management review.	Undertake & periodically update Board.
▪ Overseeing the risk management program.	Undertake & advise Board on an exception basis.
▪ Consider financial risks and exposure of Group assets and liabilities.	Undertake & advise Board on an exception basis.
▪ Ensure effective management of financial and other business risks.	Undertake & advise Board on an exception basis.

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

Objective	Authority
▪ Monitor the management of identified risks and action taken to control or minimise risk.	Undertake & advise Board on an exception basis.
▪ Review insurance policies and covers.	Review & recommend.
▪ Review and determine the adequacy of risk management policies, systems and procedures.	Review & recommend.
▪ Ensure that the Group can maintain and deliver services to members and non-member customers in a timely, efficient and effective manner.	Undertake & advise Board on an exception basis.
▪ Safeguard Group assets (people, property and financial).	Undertake & advise Board on an exception basis.
▪ Review and evaluate the adequacy of the Group's Business Continuity Management arrangements, as described in the Business Continuity Plan, and to ensure compliance with the related APRA Prudential Standard.	Undertake & periodically update Board.

To effectively discharge their duties the Committee members must:

- Consider in detail and understand the policies, business continuity plans and other risk management material submitted and identify the critical areas that the Board needs to be familiar with.
- Understand the assumptions utilised in the development of risk management models and policies, question those assumptions and any other relevant matters on behalf of the Board and ensure that the Board is made aware of any significant issues.
- Maintain an awareness of the environment that the Group operates in and when considered necessary question management on the action taken or proposed to monitor and manage perceived material risks.
- Have a general understanding and maintain an awareness of the requirements of APRA's Harmonised Prudential Standards.

1.7 Reporting

The Secretary will submit a copy of the minutes of the Committee to the Board at the next meeting of the Board.

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

2. COMMITTEE OPERATING PROCEDURES

2.1 General

The Committee shall:

- 2.1.1 Be kept informed of policies and procedures employed by the Group to manage risk.
- 2.1.2 Receive relevant information (i.e. within the scope of the Committee's responsibilities) from Management as to current developments both within the Group and externally which may substantially impact on the risks confronting the Group. The Committee may, as the need arises, call on appropriate staff members responsible for risk management to make relevant presentations, or prepare appropriate risk reports for the Committee.
- 2.1.3 Consider appropriateness of Management's action with respect to 2.1.2 above.
- 2.1.4 Be kept informed of developments and changes to APRA's Harmonised Prudential Standards.
- 2.1.5 Liaise with the Audit and Finance Committee to ensure that major risk areas are addressed by at least one of the Committees.

2.2 Review the adequacy of risk management policies, systems and procedures

- 2.2.1 The Committee has the responsibility to ensure that adequate risk management policies, systems and procedures are maintained and regularly reviewed by management. This includes appropriate risk analysis frameworks to be used when formulating business proposals or pursuing business opportunities (eg. preparation of submissions, product development, etc.).
- 2.2.2 The Committee shall receive from management a copy of risk management policies and procedures from time to time for information and review as necessary.
- 2.2.3 The Committee shall consider the requirement for the Chief Executive Officer to provide declarations to APRA (endorsed by the Board) in respect of:

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

- key risks facing the Credit Union and the Group;
- systems to monitor and manage those risks;
- the operating effectiveness of these risk management systems; and
- the risk management descriptions provided to APRA being accurate and current.

2.3 Insurance policies and cover

- 2.3.1 The Committee has the responsibility to ensure that adequate insurance policies and covers are held by the Group at all times.
- 2.3.2 The Committee shall receive from management on an annual basis a copy of all insurance policies and review them for adequacy.

2.4 Risk management review

- 2.4.1 The Committee shall receive from management on a quarterly basis a risk management report as specified in Section 3.1 of the risk management policy and monitor the risk management action plans.

2.5 Business Continuity Management and the Business Continuity Plan (BCP)

The Board has delegated to the Committee the operational responsibility to oversee the preparation and maintenance of the Group's business continuity plan document. In discharging this responsibility the Committee will:

- 2.5.1 Review the preparation of and all subsequent modifications to the business continuity plan.
- 2.5.2 Oversight the business continuity plan for adequacy with respect to:
- (i) risk assessment processes to identify plausible disruption scenarios;
 - (ii) business impact analysis in respect of identified disruption scenarios and critical business functions, resources and infrastructure;
 - (iii) an order of succession in the event of disaster;
 - (iv) identification of basic needs for resuming essential operations post-disaster and of resources which can meet these needs (e.g. other sites and facilities);
 - (v) designated crisis management team(s) for damage assessment and for co-ordination of the disaster recovery plan;
 - (vi) specified response procedures in the event of disaster;
 - (vii) Periodic review, audit and testing of business continuity arrangements, and

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

(viii) other relevant matters.

- 2.5.3 Ensure that testing of the plan is conducted at least annually unless there are valid reasons why the testing interval needs to be extended. Consider a summary of the testing results.
- 2.5.4 Oversight the BCP review process conducted by the Crisis Management Team (CMT), receive a summary of matters arising from quarterly CMT meetings and consider the revisions to the BCP arising from the review process required by policy.
- 2.5.5 Ensure that advice as considered necessary is obtained from experts as to ways in which the plan may be improved.

2.6 Harmonised Prudential Standards

The Committee has prime responsibility for the following matters:

Harmonised Prudential Standard	Requirement
<i>APS 110 Capital Adequacy</i>	Ongoing review and assessment of the adequacy of the Capital Management Plan.
<i>APS 112 Capital Adequacy: Credit Risk</i>	Monitor the use of derivatives in the Banking Book. Monitor loans, particularly to developers, to ensure the are properly risk weighted.
<i>APS 120 Funds Management & Securitisation</i>	Review existing arrangements to ensure continual compliance with the Standards.
<i>APS 210 Liquidity</i>	Ongoing review and assessment of the adequacy of the liquidity management strategy.
<i>APS 220 Credit Quality</i>	Ongoing review and assessment of the adequacy the credit risk management system.
<i>APS 221 Large Exposures</i>	Review the credit risk management system to ensure there are adequate policies and practices in place to identify, measure, monitor and report large exposures.

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

Harmonised Prudential Standard	Requirement
<i>APS 222 Associations with Related Entities</i>	Review policies for the establishment, on going management, and monitoring of associations with subsidiaries and equity investments for the control of contagion risk.
<i>APS 231 Outsourcing</i>	Ensure that any outsourcing arrangements entered into are subject to appropriate due diligence, approval and on-going monitoring.
<i>APS 310 Audit & Related Arrangements for Prudential Reporting</i>	Consider the framework in which the “declaration” of the CEO can be endorsed in conjunction with the Board Audit & Finance Committee.

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

APPENDIX

Further details on how the Committee performs some of its duties.

1. Provision of regular reports to the Board on risk management review

The process adopted by the Committee to keep the Board informed of the review of risk management (and other matters considered by the Committee) is that at the Board meeting subsequent to the Committee's meeting:

- a copy of the minutes of the meeting of the Committee is provided;
- the Chairman of the Committee provides a verbal report of the major issues discussed by the Committee; and
- matters that require Board approval are submitted to the Board with an appropriate submission.

2. Overseeing the risk management program

The Committee receives from management – at each meeting – risk management reports on key risk types, and monitors the activity of the various committees established to manage risk by the Group. Items of significance from a risk perspective are reported to the Board at the next Board meeting.

Furthermore the Committee ensures that the Strategic Plan contains a strategic risk assessment which is linked to the action items in the Corporate Plan.

3. Ensuring effective management of financial and other business risks

The Committee is responsible for overseeing the maintenance of the Business Risk Management Plan, and ensuring that the requirements of APRA's Harmonised Prudential Standards are being met. It does this by receiving and considering regular reports and/or presentations from appropriate members of staff. This enables the Committee to ask appropriate questions to determine whether financial and other business risks are being managed in an effective manner. It is also able to request that additional information be provided by management so that it can make an informed assessment and/or request management to undertake additional or different actions to better manage financial and other business risks. The Committee can also call upon external expert assistance to assist it with the task of ensuring that financial and other business risks are being managed in an effective manner. The Committee does not delegate its responsibilities to external parties but can utilise their services to gain a better understanding of potential financial and other business risks facing the Group, and/or of techniques that can be implemented to manage those risks.

4. Ensuring that the Group can maintain and deliver services to members and non-member customers in a timely, efficient and effective manner

COMMUNITY CPS AUSTRALIA LTD

RISK COMMITTEE TERMS OF REFERENCE AND OPERATING PROCEDURES.

The Committee oversees the preparation and maintenance of the business continuity plan document as detailed in Section 2.5 of the Committee's terms of reference. The maintenance of an effective BCP enables the Group to, as best as is possible, maintain and deliver services to members and non-member customers in a timely, efficient and effective manner in the event of a disaster falling upon any Group entity.