

# Challenger Limited

## Group Risk Committee Charter

Challenger Limited (**Company**)  
ACN 106 842 371

# 1. Introduction

- 1.1 The Board Risk Committee (**Committee**) is a committee of the Board of directors of Challenger Limited (**Company**).
- 1.2 The Board established the Committee in accordance with the Company's constitution.
- 1.3 This charter sets out the scope of the Committee's responsibilities in relation to the Company and its controlled entities (**Group**).
- 1.4 The role of the Committee is not an executive role.

# 2. Objective

- 2.1 The objective of the Committee is to assist the Board discharge its responsibilities in relation to:
  - (a) setting risk appetite within which it expects management to operate and approving the Company's risk appetite statement and risk management strategy;
  - (b) ensuring the Company has an effective risk management framework incorporating management, operational and financial controls;
  - (c) compliance with laws and regulations; and
  - (d) promoting high standards of business ethics and corporate governance.
- 2.2 The key responsibilities of the Committee will include:
  - (a) advising the Board on the Company's overall current and future risk appetite and risk management strategy;
  - (b) oversight of an institution-wide view of the Company's current and future risk position relative to its risk appetite and capital strength;
  - (c) oversight of senior management's implementation of the risk management strategy;
  - (d) constructive challenge of senior management's proposals and decisions on all aspects of risk management arising from the Company's activities;
  - (e) reviewing the performance and setting the objectives of the Company's Chief Risk Officer, and ensuring the Chief Risk Officer has unfettered access to the Board and the Committee; and
  - (f) oversight of the appointment and removal of the Chief Risk Officer.
- 2.3 The Committee will additionally endeavour to:
  - (a) promote a culture of compliance;
  - (b) provide the Board with objective non-executive review of the implementation and operation of the Company's risk management framework;
  - (c) ensure effective communication between the Board and the Chief Financial Officer, the Chief Risk Officer, the General Counsel and Company Secretary;
  - (d) ensure risk management strategies and functions are effective; and
  - (e) ensure that directors and executive management are provided with appropriate information relating to the risk management framework that is of high quality and relevant to the judgments to be made by them.

2.4 In fulfilling its responsibilities, the Committee:

- (a) receives regular reports from executive management. Each member of the Committee is entitled to rely on the executive management of the company for matters that are their responsibility and on the advice of counsel and other experts, so long as they are not aware of any grounds where reliance would be inappropriate;
- (b) will maintain a dialogue with the Chief Risk Officer, Chief Financial Officer and other relevant members of executive management with the objective of having a view on the health of the Group's risk management culture, and to report on any significant issues or concerns to the Board;
- (c) must ensure that the appropriateness, effectiveness and adequacy of the Company's risk management framework are subject to a comprehensive review by operationally independent, appropriately trained and competent persons (which may include external consultants) at least every three years. The results of this review must be reported to the Committee;
- (d) will regularly communicate with and (where required) report to the Board Audit Committee; and
- (e) will provide recommendations, as appropriate, to the Board Audit Committee on the scope of work for the Internal Audit function.

### 3. Risk Management

The Committee will:

- (a) regularly review and recommend to the Board updates to the current and future Group risk appetite statement and risk management strategy of the Group.
- (b) oversee a Company-wide view of the Company's current and future risk position relative to its risk appetite and capital strength;
- (c) assess, monitor and report to the Board on the risk culture in the Company, and the extent to which that culture supports the ability of the Company to operate consistently within its risk appetite, identifying any desirable changes to the risk culture and ensuring the Company takes steps to address those changes;
- (d) report to the Board on senior management's monitoring and management of all material risks consistent with the strategic objectives, risk appetite statement and policies approved by the Board and assess the uncertainties, limitations and assumptions attached to the measurement of each material risk;
- (e) oversee, approve and report to the Board on the establishment and implementation of the risk management framework including principles, strategies, policies, limits, processes and controls and ensure there is a mechanism for:
  - (i) identifying, assessing, monitoring and managing risk;
  - (ii) assessing the efficiency and effectiveness of the risk management framework; and
  - (iii) disclosing any material change to risk appetite;
- (f) review, approve and, if the Committee considers necessary, recommend to the Board policies and processes for the Company to be implemented to manage risk, regulatory and organisational principles and controls which are consistent with the risk management strategy and the established risk appetite;

- (g) approve and recommend to the Board the annual declaration to the Australian Prudential Regulation Authority (APRA) on risk management;
- (h) consider whether recommendations made by the internal and external auditors in relation to the risk management framework have been implemented by management;
- (i) endeavour to ensure the risk management system takes into account all material risk dimensions in line with the Group risk framework:
  - (i) investment and pricing;
  - (ii) strategic, business and reputational;
  - (iii) operational;
  - (iv) licence and regulatory;
  - (v) counterparty; and
  - (vi) funding and liquidity;
- (j) review the Group's risk management framework at least annually to satisfy itself that it continues to be sound;
- (k) review risk and compliance reports and the adequacy of management's response to identified breaches;
- (l) review significant correspondence with the Group's regulators, and receive reports from management on the Group's regulatory relations and report any significant issues to the Board;
- (m) assess whether the resources devoted to the risk management and compliance function are adequate to ensure that reporting arrangements are of high quality and to advise the Board of any identified shortcomings;
- (n) consider the completeness and quality of risk and operational information being provided to the Board, and suggest ways in which those reports might be improved;
- (o) periodically seek advice from internal and external auditors regarding the completeness and quality of risk, financial and operational information being provided to senior management and the Board;
- (p) oversee and provide the prior endorsement to the Board for approval in respect of the appointment or dismissal of the Company's Chief Risk Officer. If the Chief Risk Officer is removed from their position, the reasons for removal must be discussed with APRA as soon as practicable, and no more than 10 business days after the Committee's endorsement is agreed upon; and
- (q) review the performance and set the objectives of the Company's Chief Risk Officer and ensure the Chief Risk Officer has unfettered access to the Board and the Committee.

## 4. Other responsibilities

The Committee is responsible for:

- (a) overseeing the implementation of the Group's corporate code of conduct and assessing compliance with it;
- (b) overseeing the development and implementation of ethical guidelines and corporate governance policies and ensuring the structure of the Company facilitates effective risk management;

- (c) in accordance with Group policies, overseeing the scope, cover and cost of insurance, including insurance relating to directors and officers liability, professional indemnity, crime, and trustees liability; and
- (d) reporting to the Board on any industry development affecting the control environment.

## 5. Committee composition

5.1 The Committee must comprise:

- (a) at least three members;
- (b) all members are non-executive directors; and
- (c) a majority of independent directors.

5.2 The Board of the Company will appoint the chairperson. The chairperson must be an independent director of the Company and may not be the chairperson of the Board. The chairperson of the Board Audit Committee may also chair the Committee. The members of the Committee may be the same members that sit on the Board Audit Committee.

5.3 The Company Secretary will be the secretary of the Committee.

5.4 The Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.

5.5 Each member of the Committee should have an understanding of the financial services industry.

5.6 A member may act by their alternate.

5.7 Committee members must be available to meet with APRA on request.

## 6. Committee meetings

6.1 The Committee will meet a minimum of four times each year.

6.2 A quorum for a Committee meeting is two Committee members.

6.3 Other members of the Board are entitled to attend Committee meetings under a standing invitation but have no voting rights.

6.4 Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

6.5 The Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the *Corporations Act 2001 (Cth)*.

6.6 The Committee may invite other persons it regards appropriate to attend Committee meetings. The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the External Auditor, the internal auditor and the Appointed Actuary of the Life Company (**Permanent Invitees**) are invited to join meetings of the Committee. The Permanent Invitees are permitted to speak at meetings of the Committee, but will not be entitled to vote on matters put to the Committee.

6.7 The Committee Secretary will circulate the agenda and papers a reasonable period in advance of each meeting.

- 6.8 The chairperson of the Committee may request the chairpersons of any Audit, Risk and Compliance Committees appointed by subsidiary companies in the Group to attend and to present reports on particular matters considered by their respective committees.

## 7. Minutes of Committee meetings

- 7.1 The Committee must keep minutes of its meetings, which minutes will be held by the Company Secretary.
- 7.2 Draft minutes of each Committee meeting must be included in the papers for the next full Board meeting after each meeting of the Committee.
- 7.3 Minutes must be distributed to all Committee members, after the Committee chairperson has approved them.
- 7.4 Minutes, agenda and supporting papers are available to directors upon request to the Committee secretary, except if there is a conflict of interest.

## 8. Reporting to the Board

The Committee chairperson must report the Committee's findings to the Board after each Committee meeting.

## 9. Access to information and independent advice

- 9.1 The Committee may seek any information it considers necessary to fulfil its responsibilities.
- 9.2 The Committee has free and unfettered access to:
- (a) executive management and management to seek explanations and information from them and, particularly in respect of audit and risk management matters, the Chief Financial Officer, the Chief Risk Officer, the General Counsel and Company Secretary; and
  - (b) internal and external auditors to seek explanations and information from them, including without management being present.
- 9.3 Similarly, the Chief Financial Officer, the Chief Risk Officer, the General Counsel and Company Secretary have free and unfettered access to the Committee to bring to bear information relating to risk management matters.
- 9.4 The Committee may seek professional advice from employees of the Group and from appropriate external advisers, at the Company's cost. The Committee may meet with these external advisers without management being present.

## 10. Review and changes to this charter

- 10.1 The Committee will review this charter annually or as often as it considers necessary.
- 10.2 The Board may change this charter from time to time by resolution.

## 11. Approved and adopted

This charter was originally approved by the Board in November 2003 for adoption by the Committee and most recently updated on 25 May 2017.