

Role of the SBS Group Audit & Risk Committee

The Group Audit & Risk Committee (the Committee) is a committee of the SBS Bank and its subsidiaries. Its role is to ensure the integrity of the SBS Banking Group's financial controls, reporting systems and internal risk and audit standards and processes, providing the SBS Board of Directors with additional assurance on the quality and reliability of financial information and risk management systems. The Committee is responsible to and will report to the SBS Bank Board (the Board).

Objectives

The objectives of the Committee are to assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to oversight of:

1. Financial and climate reporting functions;
2. Internal and external audit functions;
3. Risk management.

Membership

The Committee will comprise of at least four directors as determined by the SBS Board of Directors.

The Board shall appoint a Committee Chair from the Directors appointed to the Committee. The appointee shall not be the Board Chairperson.

Meetings of the Committee

- The Committee requires a quorum of three directors;
- Meetings will be timed to follow the regulatory reporting and audit cycle;
- The Committee will convene no less than three times per year;
- The Committee will agree an annual work plan of its activities that will be formally reviewed as appropriate;
- Any SBS Director not on the Committee may attend meetings.

Responsibilities

Audit Role

The Committee's audit role is primarily concerned with assisting the SBS Board of Directors to produce accurate financial statements and climate related disclosures. The Committee is responsible for compliance with all applicable legal requirements, financial reporting and accounting standards, whilst the SBS Board of Directors considers performance. This does not relieve the SBS Board of Directors of its responsibilities for ensuring the SBS Bank Group produces accurate financial statements and climate related disclosures.

Risk Role

The Committee's risk role is primarily concerned with assisting the SBS Board of Directors to oversee the Group's identification, assessment and management of risk, including eliminating or mitigating risk and taking selective strategic risks to profit from them, within risk appetite. This does not relieve the SBS Bank and Subsidiary Board of Directors of their overall responsibility for the management of risk.

Financial function

The Committee must satisfy itself that the financial statements reflect the substance of the Group's businesses and their financial reporting. This requires an understanding of the financial reporting process including policies, legislation, generally accepted accounting practice, internal controls and risks, and includes:

- Ensuring compliance with relevant legislation and regulatory requirements;
- Ensuring compliance with statutory and policy-based disclosures.

Climate Reporting functions

The Committee must satisfy itself that the climate related disclosures reflect the substance of the Group's businesses and their climate related risks. This requires an understanding of the climate reporting process including policies, legislation, generally accepted practice, internal controls and risks, and includes:

- Ensuring performance against the sustainability strategy;
- Ensuring compliance with relevant legislation and regulatory requirements;
- Ensuring compliance with statutory and policy-based disclosures.

Internal and External Audit functions

Internal Audit:

- Approve the appointment of the Internal Auditor for the Group ensuring their independence (as a firm and as individuals), the qualifications, expertise and experience of the audit team;
- Approve a risk-based annual Group internal audit work plan;
- Review internal audit reports for the Bank;
- Commission thematic/special reviews when required;
- Confirm resources and skills for Internal Audit functions;
- Approve the use of external resources for internal audits;
- Ensure direct access to the Committee by the Internal Auditor;
- Regularly assess Internal Audit effectiveness;
- Monitor progress and closure of audit actions arising from Group internal audits.

External Audit:

- Recommend the appointment of the External Auditor for the Group ensuring their independence (as a firm and as individuals), the qualifications, expertise and experience of the audit team;
- Approve what, if any non-audit services the External Auditor may provide;
- Recommend the External Auditor's remuneration;
- Approve the Group external audit plan;
- Oversee communication and performance relationship with the External Auditor;
- Ensure a full-scope structure and risk managed approach to the final audit report to be signed by the SBS Board of Directors;
- Engage in active enquiry of the External Auditors (e.g. areas of discomfort in working with Executive/Management, greatest perceived financial risk and quality of Internal Audit).

Risk Management

- Provide objective assurance as to the adequacy and effectiveness of the SBS Bank and its subsidiaries risk management policies and framework;
- Review, monitor and make recommendations to the Board regarding the Group, SBS Bank and subsidiaries current and future risk appetite statements;
- Approve the Risk Acceptance and closure of SBS Bank 'High' open audit issues which have been endorsed by the Group Chief Executive;
- Review, endorse and make recommendations to the Board in relation to risk management policies and the risk management framework;
- Monitor the effectiveness of the risk management framework and associated policies and procedures in identifying, prioritising, treating, monitoring and reporting on key business risks (including climate related risks);
- Ensure that internal controls consistent with the risk appetite established by the Board are in place, including compliance with relevant policies, legal and regulatory requirements;

- Periodically review and make recommendations to the Board in relation to Risk Management Frameworks and policies and any other policies referred to it by the Board from time to time;
- Review and approve policies as delegated by the Board;
- Discuss and report to the Board on the highest priority business risks and the adequacy of the control environment including those outside of Risk Appetite.

Right of Access

The Chair of the Committee and other Members of the Committee as necessary will be given access to all information by Executives/Management to enable the Committee to meet its responsibilities.

Subsidiaries

The primary responsibility for the proper and efficient discharge of obligations relating to financial reporting and risk management remains with each subsidiary board. However, the Committee has overall responsibility for the SBS Group audit and risk function, including the parent and all subsidiaries.

Its role in regard to the subsidiaries is to provide oversight, ensuring that all financial functions, internal and external audit functions and risk and compliance management is appropriate as determined by the Group's policies and procedures. In exercising this oversight:

- The risk based internal audit annual work plan will, once approved by the subsidiary in accordance with its agreed policies and procedures, be provided to the Committee for visibility.
- The Committee will be able to request further internal audit work be carried on within the subsidiary if this is considered appropriate from a Group perspective.
- Details of all risk management processes and copies of risk management plans for the subsidiary (and any updates to those plans) will be forwarded to the Committee for review.
- The Committee will be provided with an executive summary of all internal audits undertaken within the subsidiary. Audit findings and actions will be maintained through the Protecht risk system and included in subsidiary reporting. Full copies of subsidiary audit reports will be provided to the Committee on request.
- The Committee will be briefed on progress, issues and management letter points emanating from the external audits of the subsidiary.
- Any issues identified in internal or external audits will be noted for follow-up, with all actions taken to address those issues notified to the Committee.
- Full cooperation will be provided by each subsidiary to the Group Chief Risk Officer in accordance with the mandate agreed for that role.

Authority

The Committee has the following authority:

- approve the Group external audit plan
- approve what, if any non-audit services the External Auditor may provide
- approve the Group internal audit plan and appoint the Internal Auditors;
- approve the use of external resources for internal audits
- approve the Risk Acceptance and closure of SBS Bank 'High' open audit issues which have been endorsed by the Group Chief Executive;
- approve policies as delegated by the Board;
- approve audit or risk related contracts where the accumulated value of all approved contracts in any single year does not exceed \$0.6m
- make recommendations to the Board on all other matters requiring a decision.

Reporting

The Committee shall maintain direct lines of communication with the external and internal auditors, Group Chief Executive, Chief Financial Officer, Group Chief Risk Officer and with management.

The minutes of all Committee meetings shall be circulated to members of the Board, the Group Chief Executive, Chief Financial Officer, Group Chief Risk Officer and the external auditors.

Review

The Charter will be reviewed by the Committee three yearly with approval from the SBS Board.

A self-assessment will be undertaken every two years to assess the Committees effectiveness with input from Committee Members and regular attendees.