



SBS Group Audit & Risk Committee Charter

Role of the SBS Group Audit & Risk Committee:

The Audit and Risk Committee is a committee of the SBS Bank and subsidiaries. Its role is to ensure the integrity of the SBS Banking Group 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 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 functions;
2. Internal and external audit functions;
3. Risk management.

Membership:

The SBS Group Audit & Risk Committee will comprise of at least four non-executive 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 non-executive directors;
- Meetings will be timed to follow the regulatory reporting and audit cycle;
- The SBS Group Audit and Risk Committee will convene no less than three times per year;
- The SBS Group Audit & Risk Committee will agree an annual work plan of audit activities that will be formally reviewed as appropriate.

Responsibilities:

Audit Role:

The SBS Group Audit & Risk Committee's audit role is primarily concerned with assisting the SBS Board of Directors to produce accurate financial statements. The Committee is responsible for compliance with all applicable legal requirements 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 SBS Bank produces accurate financial statements.

Risk Role:

The SBS Group Audit & Risk Committee's risk role is primarily concerned with assisting the SBS Board of Directors to oversee the 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 Board of Directors of its overall responsibility for the management of risk.

Financial functions:

SBS Group Audit & Risk 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, internal controls and risks, and includes:

- 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 work plan for the Bank;
- Review internal audit plans for the Bank
- Ensure ability to commission thematic/special reviews when required;
- Confirm resources and skills for Internal Audit functions;
- Approve the use of external resources;
- Ensuring direct access to the SBS Group Audit & Risk Committee by the Internal Auditor;
- Regularly assess Internal Audit effectiveness.

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;
- Determine what, if any non-audit services the External Auditor may provide;
- Recommend the External Auditor's remuneration;
- Approve the 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, and make recommendations to the Board regarding SBS Bank and subsidiaries current and future risk appetite;
- Review 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;
- 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;
- Report to the Board on the highest priority business risks and the adequacy of the control environment.

Right of Access:

The Chair of the SBS Group Audit & Risk Committee and other Members of the Committee as necessary will be given access to all information by Executives/Management to enable the SBS Group Audit & Risk 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 SBS Group Audit & Risk 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 agreed 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 SBS Group Audit & Risk Committee for endorsement.
- The SBS Group Audit & Risk 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 SBS Group Audit & Risk Committee for endorsement.
- Internal Audit reports relating to the subsidiary will be provided to subsidiary management and directors for comment and then, once finalised, be forwarded to the next meeting of the SBS Group Audit & Risk Committee.
- The SBS Group Audit and Risk Committee will be briefed on progress, issues and management letter points emanating from the interim and final 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 SBS Group Audit & Risk 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 authority to approve the Group internal audit plan and appoint the Internal Auditors and will 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, Chief Executive Officer, 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 Chief Executive Officer, Chief Financial Officer, Group Chief Risk Officer and the external auditors.

Review:

The Committee will periodically undertake a self-review of its objectives and responsibilities along with a review of Member's performance on the SBS Group Audit & Risk Committee.