

# Risk and Compliance Charter

---

Australian Finance Group Ltd (**Company**)  
ACN 066 385 822

Version 1.2  
Adopted by the Board on 27 September 2018

# Committee Charter

## 1 Membership of the Committee

---

The Committee must consist of:

- only non-executive directors;
- a majority of independent directors;
- an independent chair, who is not chair of the Board; and
- a minimum of 3 members of the Board.

The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

All directors of the Company are entitled to attend meetings of the Committee. Other non-committee members, including members of management and the external auditor, may attend meetings of the Committee at the invitation of the Committee chair.

It is intended that the members of the Committee between them should have the accounting and financial expertise, the necessary technical knowledge and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee's mandate effectively.

The Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

## 2 Administrative matters

---

### 2.1 Meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will meet at least 3 times a year.

### 2.2 Quorum

The quorum is at least 2 members.

### 2.3 Convening and notice of meeting

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee, of every meeting of the Committee. There is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

## **2.4 Chair**

In the absence of the Committee chair, the Committee members must elect one of their number as chair for that meeting. The Committee chair has a casting vote.

## **2.5 Rights of access and authority**

The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.

The Committee may seek the advice of the Company's auditors, solicitors or other independent advisers (including consultants or specialists) as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require.

## **2.6 Minutes**

Minutes of meetings of the Committee must be kept by the Company Secretary (or his or her delegate) and, after approval by the Committee chair, be presented at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any director.

## **2.7 Reporting**

It is intended that a report of the actions of the Committee and a copy of the minutes of the Committee meeting or both will be included in the Board papers for the Board meeting next following a meeting of the Committee.

The Committee chair will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors may, within the Board meeting, request information of members of the Committee.

# **3 Role & Responsibilities**

---

## **3.1 Overview**

The Committee's key responsibility and function is to manage the process of identification and management of risk.

## **3.2 Risk management and compliance**

The Committee's primary roles with respect to risk management and compliance are to review and report to the Board that:

- (a) the Committee has, at least annually, reviewed the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;
- (b) adequate policies and processes have been designed and implemented to manage identified risks; and
- (c) proper remedial action is undertaken to redress areas of weakness.

### 3.3 Risk management and compliance roles and responsibilities

The following are intended to form part of the normal procedures for the Committee's risk and compliance responsibilities:

- a) Evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks.
- b) Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors.
- c) Evaluating the structure and adequacy of the Group's business continuity framework.
- d) Evaluating the adequacy and effectiveness of the Group's identification and management of economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks.
- e) At least annually, evaluating and making recommendations to the Board in relation to the structure and adequacy of the Group's insurance program having regard to the Group's business and the insurable risks associated with its business.
- f) Reviewing and making recommendations to the Board on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies and the risk appetite that is appropriate for the Company.
- g) Reviewing and making recommendations to the Board in relation to the financial risk disclosures in the Company's operating and financial review in its annual report.
- h) Overseeing the establishment and maintenance of processes directed towards:
  - an adequate system of internal control, management of business risks and safeguard of assets;
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control; and
- i) Evaluating the Group's exposure to fraud and making recommendations to improve the Company's fraud risk management.
- j) Reviewing the Group's main corporate governance practices for completeness and accuracy.
- k) Reviewing policies the Company has in place to monitor and confirm compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices, occupational health and safety, and the environment).
- l) Reviewing the policies in place to monitor and confirm compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and AASB requirements).
- m) Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework.
- n) Reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards.
- o) Forming a view of the risk culture of the Company and the extent to which that culture supports the ability of the institution to operate consistently within its risk appetite.

- p) Identifying any desirable changes to the risk culture, ensuring that the Company takes steps to address those changes.
- q) Ensuring that sufficient resources are dedicated to risk management.
- r) Reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.
- s) Review and make recommendations in relation to the appointment of the Head of Risk.

## 4 Review

---

The Board will, at least once in each year, review the membership and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.