



# Audit and Risk Committee Charter

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# Document Control

## Document Information

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## Document Approval

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# 1. Introduction

## 1.1 Purpose

The Board of Directors of Kina Securities Limited (the **Company** or Kina) has constituted this Audit and Risk Committee (**ARC**) to fulfil its responsibilities with respect to financial policies and financial processes, including internal and external audit matters, and risk management and compliance within the Company and its subsidiaries.

## 2. Objectives

The objective of the Audit and Risk Committee is to assist the Board in the performance of its statutory and prudential duties and obligations and to satisfy itself that the Company:

- has effective policies and practices in place for the management and reporting of its financial information and results in compliance with relevant statutory and regulatory frameworks; has in place effective financial and other operational controls which assure the accuracy of financial information produced and reported; commissions and appropriately considers well researched advice on financial, taxation, insurance and other matters;
- has in place an effective risk management framework, covering both financial and non-financial risks and that Kina's operations fall within the Board approved risk appetite and tolerances; and undertakes a regular and objective review of the effectiveness of Kina's overall risk management framework.

## 3. Responsibilities

The ARC is responsible for ensuring that the Company's financial and risk management policies and practices enable its business objectives and performance, are consistent and compliant with regulatory and statutory requirements and that a consistent and measurable risk culture is in place across the Company.

The ARC has the following responsibilities:

### 3.1 Financial Reporting and Internal Control

- Review half and full year statutory financial reports and consider whether they are consistent with information known to Committee members and reflect appropriate accounting principles, standards and disclosures;
- Oversee the financial reporting and budget process;
- Review key aspects of the Company's market update presentations for the half and full year statutory reports;
- Receive assurances from the External Auditor that market presentations are consistent with audited statutory accounts;
- Review and be satisfied with Management certifications provided at half and full financial year end
- Review management's regular reporting of financial risks, including any intended or required disclosures;
- Oversight of BPNG statutory reporting including the annual commissioning of an independent review of the Company's compliance with regulatory standards. Ensure any identified issues are rectified in a timely manner;
- Receive and consider audit recommendations and ensure timely management of recommendations to improve controls, compliance and risk management processes.

### 3.2 Internal and External Audit

- Recommend the appointment or, if necessary, the removal of the External Auditor to the Board for approval by shareholders;
- Consider and assess at least annually the independence, adequacy and effectiveness of the External Auditor (including the rotation of the external audit partner), and review and approve the External Auditor's fee and terms of engagement;

- Consider and assess at least annually the independence of the Kina Group internal audit function, provide feedback to management on its performance and obtain an external assessment of the adequacy and effectiveness of the internal audit function at least once every five years.
- Review the annual audit plans of the External Auditor.
- Review and approve the annual internal audit plan and any changes to plans, and oversee progress of internal audit activities in accordance with the plan;
- Review annually the provision of all non-audit services by or on behalf of the External Auditor and consider whether those services comply with the statutory auditor independence requirements. Report the outcomes of that review to the Board
- Consider and recommend to the Board, the approach to the operation of the Internal Audit function including whether any of the function should be outsourced,
- Review and approve the internal audit charter;
- Ensure the internal audit function has a reporting line and unfettered access to the Chair of Kina Board and to the Audit and Risk Committee.

### 3.3 Risk Management

- Review and recommend for Board approval the divisional and Company risk appetite statements;
- Review and recommend for Board approval the risk management framework that is to apply across the Company, including the appropriateness of processes for management and reporting of financial and non-financial risks
- Obtain from time to time external independent assurance that the risk management framework, including controls is operating effectively;
- Monitor the risk profile of the Company against the approved risk appetite and risk tolerances;
- Review at least annually the effectiveness of the risk management framework in supporting business performance/strategy.
- Assess the Company's risk culture, by maintaining a dialogue with the Group Chief Risk Officer and other relevant members of management and report any significant issues or concerns to the Board;
- Review management reports on the Company's interactions with regulatory agencies (including significant correspondence with the regulators) and report any significant issues to the Board;
- Review the annual BPNG Risk Management Declaration and recommend its approval by the Board;
- Monitor adherence to risk policies; and
- Advise the Remuneration and Nomination Committee on the appropriate risk factors that warrant consideration when determining the amount of incentives to be awarded, and the amount of deferred incentives or long-term incentives to be vested.

### 3.4 Other Matters

- Oversee the operation of the Company's Protected Disclosure (Whistle Blowing) Policy.
- Receive and discuss breach or potential breach reports related to material breaches of laws and regulatory requirements;
- Consider any significant trends emerging that have the potential to adversely affect the Company and consider the need for new/additional measures to appropriately manage the risk;
- Review and assess annually the Committee's performance of its responsibilities under this Charter and report the Committee's conclusions to the Board;

## 4. Committee Membership

The ARC shall comprise at least three members appointed by resolution of the Board. All members must be non-executive directors.

Membership of the Committee shall be reviewed on an annual basis.

The Chair of the ARC shall be appointed by the Board and must be an independent director. The Chair of the Board may be a member of the Committee but must not be Chair.

When appointing members of the ARC, the Board shall have regard to the need for:

- At least one member to hold a recognised qualification in a finance-related discipline;
- All members to be financially literate; and
- All members should have a sound understanding of the concept of risk and the principles of managing risk.

Members of the ARC must be available to meet with officials from BPNG when requested.

The current members of the ARC, the number of ARC meetings and ARC members' attendance at those meetings will be disclosed in the Company's annual report or on the Company's website.

## 5. Meetings

The ARC shall meet as frequently as is required to undertake its role effectively but not less than quarterly.

A quorum shall be one half of the appointed members of the Audit and Risk Committee (rounded upwards if not a whole number). The ARC must not transact business unless a quorum is present.

Non-executive directors who are not members of the Committee may attend meetings of the Committee as observers, should they wish to do so.

Members of the Senior Executive team must attend the meetings of the ARC when requested to do so.

Any member of the ARC, the CEO, the CFO, the CRO, the External Auditor, the Internal Auditor or the Chief Compliance Officer may request a meeting of the ARC at any time, with the prior approval of the ARC Chair.

A record must be kept of all meetings, recommendations and decisions of the ARC. The minutes of meetings must be presented to the first meeting of the Board following a meeting of the ARC. The Chairman of the ARC must also provide a brief report to the Board following every meeting of the Committee.

## 6. Powers

The ARC is an advisory committee and has the power to make recommendations to the Board but not the power to make decisions in the name of the Board, unless specifically delegated and authorised within this Charter.

The ARC shall have absolute right of access to any information held by the Kina Group that it requests including:

- all internal and external (including risk-related) correspondence;
- all personnel records;
- minutes, records and file notes of all management meetings;
- minutes of all meetings of ALCO and Credit Committees;
- all contracts;
- all financial transactions; and
- all financial accounts (whether in draft or final form, audited or unaudited).

The ARC shall have unfettered access to the CEO and all members of the senior executive team, staff holding Responsible Person positions, the Internal Auditor and the Chief Risk Officer. All staff must respond promptly and openly to questions from the ARC and requests for explanations.

The senior executive team, staff holding Responsible Person positions, Internal Audit, the Chief Risk Officer, the External Auditor and the Chief Compliance Officer have unfettered access to the ARC. Internal Audit shall have a direct reporting line to the Chair of the ARC and an administrative reporting line to the CEO.

The ARC shall meet with the External Auditor, with or without management present, at any time. The External Auditor shall have the right to request a meeting with the ARC at any time.

The ARC shall have the right to meet with the Internal Auditor without management present, at any time, and will do so, at a minimum, at least once annually.

The ARC may, with the approval of the Chair of the Board, retain independent legal, accounting, taxation, risk management or other professional advisors to the extent the Committee considers necessary at the Company's expense.

## **7. Committee Performance**

The ARC will evaluate its performance on an annual basis against the responsibilities specified in this Charter and report the findings to the Board on an annual basis.

## **8. Reliance on information or advice provided by others**

Members of the ARC shall be entitled to rely on the advice and expertise of executives, legal counsel and other advisers acting within the scope of their professional discipline subject to the normal requirements of diligent inquiry and rational consideration.

## **9. Amendments to this Charter**

The ARC shall review the adequacy of this Charter annually and may recommend to the Board any amendments it considers appropriate.