

# Board Risk Committee Charter

## **BOARD**

*The Board Risk Committee Charter provides the minimum foundation and framework that assists KSL Board in the performance of its statutory and prudential obligations.*

**Owner:** Company Secretary  
**Level:** Level 1 – Board  
**Version:** 1.0  
**Effective:** 27 April 2023

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This Charter outlines the purpose and responsibilities of the Board Risk Committee.

## 1. PURPOSE

The primary function of the Board Risk Committee (BORC) is to assist the Board to carry out the following activities:

- To fulfil its responsibilities with respect to its statutory and prudential duties and obligations to shareholders;
- Its obligations as a finance institution, as documented in all of the Bank of PNG (BPNG) Prudential Standards and other regulators in the jurisdictions we operate;
- Review and oversee systems of risk management, internal control and legal and regulatory compliance
- Review the Kina Group's risk appetite and tolerance levels and ensuring they are consistent with and appropriately aligned to the approved Kina Group strategy; and
- Monitor and assess new technologies, and systems of cyber security, data governance and modelling integrity.

Its establishment is to assist in ensuring that the Kina Group complies with:

- It's Risk Management Strategy and Framework;
- It's Corporate Strategy;
- It's Code of Conduct;
- It's policies and procedures; and
- all other relevant laws, regulations, codes, regulations, and industry and organizational standards.

## 2. RESPONSIBILITIES

### Risk Oversight

- Review and make recommendations to the Board on Kina's Risk Management Framework and processes for identifying, monitoring and managing significant business risks including emerging risks and risks associated with significant projects.
- To recommend for approval by the Board Kina Group's risk appetite statements;
- Review and recommend for Board approval a risk management framework designed to ensure the Kina Group's operations are conducted within approved risk tolerances;
- monitor the risk profile of the Kina Group against the agreed Group risk appetite and risk management framework via management reports; and
- Review at least annually the effectiveness of the risk management framework in supporting business performance/strategy.
- Review and if necessary, make recommendations to the Board in respect of the adequacy and effectiveness of key aspects of Kina's trading activities, risk identification, model governance and management practices;
- Review and if necessary, make recommendations to the Board in respect of the adequacy and effectiveness of information technology and business disaster recovery processes and
- Monitor and if necessary, make recommendations to the Board in respect of the adequacy and effectiveness of Kina's fraud prevention controls.

## Risk Management

- Assess the Kina Group's risk culture, by maintaining a dialogue with Kina Group's CRO and other relevant members of management and report any significant issues or concerns to the Board;
- review reports from management on Kina Group'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.

## Compliance

- Review the effectiveness of Kina Group's Legal Compliance and Regulatory Management System for identifying, monitoring and managing compliance with relevant laws, regulations and associated government policies.
- Review and if necessary make recommendations to the Board on material breaches of compliance requirements; and
- Review and if necessary make recommendations to the Board on the outcomes of investigations into 'Reportable Conduct', including the identification of systemic issues and Kina Groups' compliance with its legal and regulatory obligations in respect of these.

## Anti-Money Laundering and Counter Terrorist Financing (AML/CTF)

- Oversee and implementation of Kina Group's AML/CTF programs;
- Oversee and recommend to the Board the adoption of a comprehensive and risk-based program geared toward the promotion of high ethical and professional standards and the prevention of the bank being used, intentionally, or unintentionally, for money laundering and terrorism financing;
- Inform all responsible officers and employees of all resolutions, circulars in relation to matters aimed at preventing money laundering and terrorist financing;
- Alert the Senior Management Committee and the Board of Directors if it believes that the institution is failing to sensibly address anti-money laundering and terrorist financing issues;
- Ensure Kina Group comply with its reporting obligation under the Anti-Money Laundering and Counter Terrorist Financing Act 2015

## Group Insurance Program

- Monitor the adequacy of the Group's insurance cover and approve the terms for the renewal of the annual insurance program.
- Review and make recommendations to the Board on Kina's insurance strategy, having regard for the business and insurable risks associated with its business
- Monitor key milestone progress on insurance claims.

## Group Litigation

- Monitor significant Group litigation including receipt and consideration of litigation reports and make recommendations to the Board as to appropriate actions (including cost/settlement/write-off)

## Information Communication and Technology

- Monitor and if necessary, make recommendations to the Board in respect of the effective implementation of Kina's Information Communication and Technology strategy;
- Receive information about technology and data trends and their implications for Kina;
- Monitor and if necessary, make recommendations to the Board on the implementation of Kina's Data Strategy and the adequacy and effectiveness of the data governance framework;
- Review and if necessary, make recommendations to the Board on the adequacy and effectiveness of Kina's systems used to control cyber security risk and monitor compliance with cyber security legislation and regulation applicable to Kina Group and its assets;
- Monitor and if necessary, make recommendations to the Board on Kina's cyber threat environment and security posture, including information on direct attacks.

## Other

- Oversee the operation of the Kina Group's Protected Disclosure (Whistle Blowing) Policy;
- Receive and discuss any breach reports dealing with material breaches of laws and regulatory requirements relating to any part of the Kina Group;
- Consider any significant trends emerging that have the potential to adversely affect Kina and consider the need for new measures to limit the risk. This specifically includes emerging trends in areas such as cyber security, climate change, and Environmental, Societal and Governance (ESG) ;
- review and discuss any reports concerning material violations of laws and regulatory requirements relating to any members of the Kina Group;
- Ensure the risk function has a reporting line and unfettered access to the chair of Kina Board, Chair of BAC and BoRC.

## 3. COMMITTEE AUTHORITY

The Committee is authorized by Kina Group Board to:

- Approve Policies which are in accordance with the approved Policy Hierarchy Model;
- Approve the insurance strategy and premium;
- Approve the process for risk identification;
- Approve Management Risk Committee Charters and some charters for sub committees;
- Have such other authority as may be delegated to the Committee by the Board;
- Seek any information and explanation it requires from external parties and/or any employees;
- Obtain outside legal or other professional advice as necessary to assist the committee;
- Absolute right of access to any information held by the Kina Group.

## 4. MEMBERSHIP; QUORUM; SECRETARY

### Membership

- The Committee shall comprise at least three (3) members. All members must be independent non-executive directors.
- The Committee members including the Chair shall be appointed and approved by resolution of the Board. The Chair of the Board may not act as Chair or the Committee but may be a member.
- Membership shall comprise officers with appropriate skills and qualifications. At least one of the committee members shall hold appropriate financial qualifications.

### Quorum

- Each meeting shall proceed with a quorum of committee members present. A quorum shall be one half of the appointed members (rounded upwards if not a whole number).
- Failure to achieve a quorum will result in the meeting being postponed to a suitable later date.
- A valid decision of the meeting requires a majority vote of those members attending where a quorum is present.

### Committee Secretary

- The Committee Secretary will be the Company Secretary.
- Members shall provide any documents to the Committee Secretary at least seven (7) working days prior to a meeting to enable timely distribution.
- All material to be considered by the Committee members at formal meetings shall be distributed beforehand (5 business days) by the Committee Secretary.

## 5. COMMITTEE MEETINGS

### Meetings

- The Committee will meet as often as it deems necessary but at a minimum the Committee shall meet at least three (3) times a year.
- The Committee shall also meet as required or necessary to discuss matters of an urgent nature. Following each meeting, the Committee Chair shall report on the Committee's activities, discussions, and decisions to the Board.
- Committee meetings may be held in person or via telephone or other electronic means including video conferencing.
- Any member of the Committee, the Chair of the Board, the Managing Director, the CFO or the CRO may request a meeting at any time.

### Agendas

- An agenda of standing items for discussion will be drawn up and may be altered by the BoRC as it deems fit. The operating rhythm can be changed based on business priorities and sequenced to other committee rhythms or reporting requirements.
- The meeting will consider matters relating to the whole of the Kina Group including its subsidiaries.
- Action Items are to be provided to management for attention.

## Minutes

- Minutes of each Committee meeting shall be prepared by the Secretary and must be presented to the first meeting of the Board following a meeting of the BoRC.
- Minutes of the meeting are to be issued to the Chair within 5 business days and distributed to members within one (1) week thereafter.
- Minutes are not to be distributed outside Committee membership.

## Reporting by Committee Chair

- A record must be kept of all meetings, recommendations and decisions of the Committee. The Chair of the Committee must also provide a brief report to the Chair of the Board following every meeting of the Committee.

## Attendees at Committee meetings

- Other non-executive directors are able to attend the meeting as observers at any time.
- The CRO and the CFO shall be standing attendees of the meeting, along with the Managing Director (CEO).
- Senior management and other relevant staff shall attend part or all of any meeting of BoRC when requested by the Committee.

## Conflicts

Conflict of Interests needs to be duly considered by all BoRC members

- BoRC members must declare any actual or potential conflicts of interest, which may exist or might reasonably be thought to exist in regard to any matter before it.
- BoRC may require a member to be absent while any issue relating to that conflict is discussed or voted upon.

BoRC members need to acknowledge that they may receive or originate confidential information. Such information must be treated in compliance with Kina Groups' Confidentiality and Privacy Program and retained within Kina Group. In particular, information must

- NOT be released to others outside of the proper ambit of committee member's duties; and
- NOT be used for the personal benefit of directors, officers or employees of KSLPNG or for the personal benefit of others.

## 6. REVIEW OF CHARTER

This Charter shall be reviewed by the Owner triennially under the Risk Management Framework (or at any time required by the Board or Board Committee) with a summary being submitted to BoRC and the Board detailing the results of risk assessment and whether there are any updates required.

Every three years, the full Charter must be submitted to the Board for Board Endorsement.

All Amendments and Approvals are maintained by Compliance Team in the Policy & Procedure Change Document Register.

## 7. POLICY ADMINISTRATION

<b>Policy Administrator</b>	Chief Risk Officer
<b>Policy Owner</b>	Company Secretary
<b>Effective Date</b>	24 April 2023
<b>Date of Last Review</b>	new policy replacing document no. <i>kbc:04/2015 Splitting of the Audit, Risk &amp; Compliance Charter</i>
<b>Next Scheduled Review</b>	(with a risk assessment each annual anniversary date to CREDITCO and Board Audit & Risk Committee)
<b>Regulator (If Applicable)</b>	BPNG, ASX, PNGX
<b>Compliance Mechanism</b>	Annual Review process certification via Audit & Risk Committee plus 3-year mandatory risk review and re-endorsement.
<b>Approval Body</b>	Board
<b>Document Approval History</b>	Version 1- Board approved dated 27/04/2023
<b>Related Policies</b>	Risk Management Framework and Policy Confidential and Privacy Policy Policy Hierarchy Model
<b>Supporting Procedures or Guidelines</b>	