



AUDIT AND RISK COMMITTEE CHARTER

Contents

1.	PURPOSE OF CHARTER	3
2.	AUTHORITY	3
3.	TYPE AND ROLE OF THE COMMITTEE	3
4.	MEMBERSHIP	4
4.1	Composition and Size	4
5.	CONFLICT OF INTEREST	4
6.	CHAIRPERSON	4
7.	SECRETARIAT	5
8.	ACTIVITIES, DUTIES AND RESPONSIBILITIES	5
8.1	Reporting	5
8.2	External Audit	6
8.3	Internal Audit	7
8.4	Risk Management	8
8.5	Related Party Transactions	9
8.6	Technical Expertise	9
8.7	Skills Development	9
8.8	Commitment of Directors on the Audit & Risk Committee	10
9.	COMMITTEE MEETINGS AND PROCEDURES	10
9.1	Meetings	10
9.2	Frequency and calling of Meetings	10
9.3	Quorum	10
9.4	Attendance by Management and Advisors	10
9.5	Agenda and Documents	10
9.6	Access to Information and Advisors	11
9.7	Minutes	11
10.	REPORTING TO THE BOARD	11
11.	REVIEW	11
12.	DOCUMENT CONTROL	13

1. PURPOSE OF CHARTER

The Audit & Risk Committee (the Committee) is a committee of the Board of Directors and functions as an independent reviewer, working for the Board and the stakeholders to provide an objective appraisal of the financial and operational activities of Nambawan Super Limited (NSL).

The Committee will ensure that objective information will allow assessment of the status of NSL as it relates to compliance to established policies and procedures and provide the Board of Directors with information necessary for them to fulfill their responsibilities in making informed financial and operational decisions in the best interest of NSL, its shareholders and stakeholders.

2. AUTHORITY

The Committee is established in accordance with Clause 20.13 of NSL's Constitution and 16(b) of the Bank of PNG Superannuation Prudential Standard 7/2012. The Committee has the authority and power to exercise its responsibilities set out in this Charter and under any separate resolutions of the Board that may be handed down to it from time to time.

The Committee shall act in accordance with the delegated authority of the NSL Board as set out in its *Delegated Authority Policy*.

3. TYPE AND ROLE OF THE COMMITTEE

This committee is a Standing Committee and its role is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities. Specifically, it is to:

- (a) monitor compliance with the Board's policies and prudential and statutory requirements;
- (b) ensure that appropriate systems and controls are in place to identify and address the risks that arise in the course of the NSL's business activities;
- (c) instill a strong risk management culture throughout NSL and ensure that NSL's system of risk management and internal controls are practiced and effective;
- (d) oversee financial reporting, internal and external audits;
- (e) recommend external auditor appointments and remuneration;
- (f) assess and make determination on their competence and independence;
- (g) maintain the integrity of NSL's external financial reporting and statements;
- (h) review the performance of internal and external audit functions;
- (i) monitor the NSL's systems and procedures for compliance with relevant legal and regulatory requirements and specifically ensure that:
 - (i) the Trustee complies with the superannuation licensing conditions

- established by the Bank of Papua New Guinea;
- (ii) there is proper and effective governance of assets where NSL has a majority, or substantial minority, interest;
 - (iii) the Licensed Fund Administrator and the Licensed Investment Manager operate within the confines of the signed Agreement with the Trustee;
 - (iv) that financial and administrative procurement procedures are followed by the Trustee in engaging major contractors.

4. MEMBERSHIP

4.1 Composition and Size

- (a) The Committee shall be comprised of a minimum of three suitably qualified and experienced non-executive Directors.
- (b) Additionally, the Board may nominate an independent member of the Committee.
- (c) The Members must be able to provide an objective, non-executive review of the effectiveness of NSL's risk management and control processes.
- (d) Employees of NSL are not permitted to be members of the Audit and Risk Committee.
- (e) Membership will be reviewed periodically, but at least every two (2) years and re appointment to the Committee shall not be automatic. All appointments and changes will be decided by the Board.

5. CONFLICT OF INTEREST

To meet the fiduciary obligations, members must declare any conflicts of interest, whether actual, potential, apparent, or likely to arise, and manage those in consultation with the Chair.

In relation to specific agenda items of Committee meetings, real, potential, or apparent conflicts of interest are to be advised at the beginning of each Committee meeting.

A register of conflicts of interest is to be maintained by the Secretariat. Committee members (and other attendees) must, at the start of the meeting, declare any conflicts of interest whether actual, potential, or perceived. The Chair of the Committee must require the conflicted person to leave the room while the remaining members determine whether the conflicted person is entitled to attend the meeting for the discussion.

6. CHAIRPERSON

- (a) The Chairperson of the Committee must be an independent Director, must

possess substantial experience in audit work in PNG and be a person other than the Chairperson of the Board.

- (b) The Chairperson must not be the Chairperson of any other Board Committee.
- (c) The Chairperson of the Committee is appointed by the Board. If, for a particular Committee Meeting, the Committee Chairperson is not present within 15 minutes of the nominated starting time of the Meeting, the Committee may elect a Chairperson for the Meeting.

7. SECRETARIAT

- (a) The Company Secretary is responsible for the co-ordination of all Committee business, including agenda, committee papers, minutes and communications.
- (b) The Company Secretary is accountable to the Committee, through the Chairperson on all Governance matters, with all other directors having direct access to the Company Secretary for advice or assistance on governance matters.

8. ACTIVITIES, DUTIES AND RESPONSIBILITIES

8.1 Reporting

The Committee shall:

- (a) review the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports;
- (b) oversee the preparation of financial reports and review the results of external audits of these reports;
- (c) assess significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seek verification of those estimates from internal and external auditors;
- (d) review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by NSL of financial and non-financial information;
- (e) assess, before publication, whether external reporting is consistent with Committee Member's information and knowledge and is adequate for stakeholders' needs;
- (f) review **material documents** and reports prepared for lodgment with regulators, assessing their impact on NSL and make recommendations to the Board on their approval or amendment;

i. Material Documents means the articles of incorporation, certificate of incorporation,

Trust Deed, annual reports and material business activity contracts

- (g) assess information from internal and external auditors that affects the quality of financial reports;
- (h) seek from the external auditor an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by NSL;
- (i) assess solvency and the going concern assumption;
- (j) recommend to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

8.2 External Audit

The Committee shall:

- (a) make recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommend that tenders be called to assist in deciding which external auditor should be recommended;
- (b) agree on the terms of the engagement of the external auditor before the start of each audit;
- (c) review the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (d) monitor the effectiveness and independence of the external auditor, and periodically assess their performance;
- (e) review the external auditor's independence based on the external auditor's relationships and services with NSL and other organizations;
- (f) assess whether the external auditor's provision of non-audit services impairs or appears to impair their judgment and independence and, if required, develop policies for Board approval to ensure this does not occur;
- (g) make recommendation to the Board on the removal of the external auditor;
- (h) ensure that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (i) invite the external auditor to Committee Meetings to review annually the audit plan, discuss audit results and consider the implications of external audit findings;
- (j) review the scope of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (k) raise with the external auditor any specific points of divergence with NSL's management;

- (l) monitor and examine management's response to the external auditor's findings and recommendations;
- (m) review all representation letters signed by management and ensure all information provided is complete and appropriate;
- (n) meet with external auditor without management present at least once a year; and
- (o) establish and make publicly available in the Corporate Governance section of the Company's website, information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

8.3 Internal Audit

The Committee shall:

- (a) recommend to the Board the structure of an adequately resourced, independent internal audit unit that will report to the Audit and Risk Committee;
- (b) approve the appointment, terms of engagement and dismissal of the Head of the internal audit unit. Operationally the staff in the internal audit unit report to the Chief Executive Officer through the Head of the internal audit unit;
- (c) determine the objectives and scope of the internal audit unit that will cover evaluation of the adequacy and effectiveness of internal controls, compliance, financial reporting and the NSL's Risk Management framework;
- (d) oversee the internal audit function and have access without management presence at least once per year;
- (e) communicate the expectations of the Audit and Risk Committee to the Head of the internal audit unit in writing;
- (f) review and approve the internal audit plan and work program;
- (g) evaluate the effectiveness of the internal audit plan and work program and consider the implications of internal audit findings;
- (h) evaluate management's responsiveness to internal auditor findings and recommendations;
- (i) assess the performance, effectiveness and objectivity of the internal audit function; and
- (j) oversee the co-ordination of the internal audit function with the external auditor.

8.4 Risk Management

The Committee is responsible for:

- (a) Developing for Board approval a Risk Management Framework that addresses all risks associated with NSL's business and provides for:
 - (i) proactive identification, assessment, mitigation, management, monitoring and reporting of risks;
 - (ii) documentation of policies and procedures, risk management methodologies and processes, systems of internal controls, formal reporting structure (with appropriate governance and oversight) and independent review processes;
 - (iii) the process by which the Board is to identify and manage new and emerging risks;
 - (iv) categorization of risks under -
 - Strategic** - Governance, Corporate Planning and External Relations
 - Financial** - Structure, Credit, Market and Reporting
 - Operational** - People, Products, Property, Equipment and Systems
 - External** - Government, Suppliers, Competition and Environment
- (b) regularly reviewing and updating the risk profile;
- (c) ensuring that NSL has an effective risk management system;
- (d) assessing and ensuring that there are internal processes for determining and managing key risk areas, such as:
 - (i) non-compliance with legislation, regulations, standards and best practice guidelines including employment and industrial relations, occupational health and safety, environmental and trade practices legislation;
 - (ii) important judgments and accounting estimates as well as drafting of appropriate disclosure statements;
 - (iii) business license requirements;
 - (iv) litigation and claims
 - (v) fraud and theft; and
 - (vi) relevant business risks not dealt with by other Board Committees.
- (e) receiving reports concerning material and actual incidents within the risk

- areas above and ensuring that Strategic or material risks are reported to the Board as deemed necessary but at least annually;
- (f) requesting reports of investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above;
 - (g) examining and evaluating the effectiveness of the internal control system with management and internal and external auditors and making improvements;
 - (h) making publicly available a description of NSL's Risk Management Framework in NSL's annual report and official website;
 - (i) encouraging voluntary reporting by employees to the internal auditor or the Committee of breaches of internal controls and NSL policies, and incidents within the risk areas above in accordance with the 'NSL Whistleblowing Policy';
 - (j) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk; and
 - (k) meeting periodically with key management, internal and external auditors and compliance staff to understand NSL's control environment.

8.5 Related Party Transactions

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

8.6 Technical Expertise

The Committee must be structured so that

- (a) All members are financially literate, in that they are able to read and understand financial statements;
- (b) All members of the Committee must have financial, auditing or accounting qualifications, skills and relevant experience.
- (c) All Committee members must have an understanding of the industry in which NSL operates.

8.7 Skills Development

Subject to NSL Board Chairperson approval, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee, at the expense of NSL. For clarity sake, this applies only to Directors on the Audit & Risk Committee.

8.8 Commitment of Directors on the Audit & Risk Committee

Directors on the Audit & Risk Committee are expected to devote the necessary time and attention for the Committee to carry out its responsibilities.

At the first Committee meeting after their appointment when the Board reviews Committee membership, each Director appointed on the Audit & Risk Committee must confirm that they are able to devote sufficient time and attention to the Committee for the coming year.

For clarity sake, Directors must possess the willingness and commitment to devote time necessary to fulfil their duties under the Audit & Risk Committee.

9. COMMITTEE MEETINGS AND PROCEDURES

9.1 Meetings

Meetings and proceedings of the Committee are governed by the provisions of NSL's Constitution regulating Meetings and proceedings of the Board and Committees of the Board in so far as they are applicable and not inconsistent with this Charter.

9.2 Frequency and calling of Meetings

The Committee is to meet as frequently as required to undertake its role effectively, but not less frequently than once each quarter. The Chairperson must call a Meeting of the Committee, where requested by any member of the Committee, the external auditor, the internal auditor or the Chairperson of the Board.

9.3 Quorum

Three of the Members specified in Clause 5.1(a) who are directors will constitute a quorum for Meetings of the Committee.

9.4 Attendance by Management and Advisors

The Chief Executive Officer, Executive Managers and Advisors are expected to be available to attend each scheduled Meeting of the Committee, if called upon to do so.

The Committee Chairperson may also invite Directors who are not members of the Committee, other senior managers and external advisors to attend Meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

9.5 Agenda and Documents

The Chairperson of the Committee is to determine the Meeting Agenda after appropriate consultation.

The Secretary will distribute the Agenda and any related documents to all Committee Members and other attendees, at least five (5) working days before each proposed Meeting.

9.6 Access to Information and Advisors

The Chairperson of the Committee is to receive copies of all reports submitted by the external auditor to management, and reports from the internal auditor to management.

The Committee has the authority to:

- (a) require management or others to attend Meetings and to provide any information or advice that the Committee requires;
- (b) access NSL's documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking the approval of the Board or Management; and
- (d) access management, internal and external auditors.

9.7 Minutes

- (a) The Secretary will keep minute books to record the proceedings and resolutions of its Meetings.

10. REPORTING TO THE BOARD

The Chairperson of the Committee, or delegate, will submit an annual formal presentation to the Board. In addition, the Committee should report to the Board on key specific matters within its responsibility or as requested by the Board. Minutes of Committee Meetings will be included in the papers for the next Board Meeting after each Committee Meeting.

11. REVIEW

- 11.1 The Committee will review its performance from time to time and whenever there are major changes to the management structure of NSL. The performance evaluation will have regard to the extent to which the Committee has met its responsibilities in terms of this Charter. The Performance review will include an independent review of the committee.
- 11.2 The Board will review this Charter at least every two (2) years to ensure that it remains relevant to the needs of the NSL and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives and best practice. The Charter may be amended by resolution of the Board.

- 11.3 A description of the Charter is to be made available on the Company's website and the key features published in the Annual Report.

12. DOCUMENT CONTROL

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Document Approvals

Approver (Name)	Title	Signature	Date
Bruce Wilson	Committee Chairman	<i>Board Resolution on file</i>	26 July 2014
Bruce Wilson	Committee Chairman	<i>Board Resolution on file</i>	14 April 2015
Bruce Wilson	Committee Chairman	<i>Board Resolution on file</i>	17 September 2015
Bruce Wilson	Committee Chairman	<i>Board Resolution on file</i>	1 December 2015
Anthony Smare	Board Chairman	<i>Board Resolution on file</i>	9 October 2017
Reginald Monagi	Board Chairman		26 March 2021