

# Audit and Risk Management Committee Charter

Pepper Money Limited (ACN 094 317 665)

**Adopted on 6 May 2021**

# Contents

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1.	ROLE OF THE COMMITTEE AND ITS AUTHORITY	1
2.	MEMBERSHIP	1
3.	MEETINGS	2
4.	DUTIES AND RESPONSIBILITIES	2
5.	REPORTING	3
6.	PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND REPORTS	4
7.	FINANCIAL CONTROLS AND SYSTEMS, RISK MANAGEMENT STRATEGY, POLICIES, PROCEDURES AND SYSTEMS	4
8.	COMPLIANCE CONTROLS AND PLANS	6
9.	EXTERNAL AUDIT	7
10.	COMPLAINTS REPORTING	7
11.	ACCESS TO INFORMATION AND INDEPENDENT ADVICE	7
12.	REVIEWS AND CHANGES TO THIS CHARTER	8
13.	COMMITTEE PERFORMANCE	8

## Pepper Money Limited Audit and Risk Management Committee Charter

### 1. Role of the Committee and its authority

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- (a) The Audit and Risk Management Committee (**Committee**) assists the board (**Board**) of Pepper Money Limited (ACN 094 317 665) (the **Company**) in fulfilling its responsibilities for corporate governance and oversight of the Company's financial reporting, internal control structure, risk management systems, compliance, regulatory engagements and internal and external audit functions. In doing so, the Committee has the responsibility to maintain free and open communication with the external auditor and the Company's management.
- (b) The Committee is empowered to investigate any matter, with full access to all books, records, company operations, and people of the Company and the authority to engage independent accounting, legal, compliance, risk management or other professional advisers as it determines necessary to carry out its duties.
- (c) The Committee is a committee of the Board established in accordance with the Company's constitution (**Constitution**) and authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in this Charter and granted to it under any separate resolutions of the Board from time to time.

### 2. Membership

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- (a) The Committee should to the extent practicable given the size and composition of the Board from time to time, comprise of:
  - (i) at least three members;
  - (ii) non-executive directors; and
  - (iii) a majority of directors who are independent (and it must satisfy this description if required by statute or regulation).
- (b) All Committee members should be financially literate (ie able to read and understand financial statements).
- (c) The Board will appoint the chair of the Committee (**Committee Chair**). The Committee Chair should be an appropriately qualified independent non-executive director who does not chair the Board (and must satisfy this description if required by statute or regulation).
- (d) All Committee members should have a reasonable understanding of the Company's business and the industry in which it participates.
- (e) Committee members will be appointed for a fixed period of no more than three years, with Committee members generally being eligible for re-appointment for so long as the Committee will meet the relevant criteria established in paragraph (a) above.
- (f) The appointment and removal of Committee members is the responsibility of the Board.
- (g) Subject to remaining a director, a Committee member may resign as a member of the Committee upon reasonable notice in writing to the Committee Chair.

- (h) If a Committee member ceases to be a director of the Board, their appointment as a member of the Committee is automatically terminated with immediate effect.
- (i) The company secretary of the Company is secretary to the Committee.

### 3. Meetings

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- (a) The Committee will meet at least three times annually or as frequently as is required to undertake its role effectively. As at the date of this Charter, the Committee intends to meet once per financial quarter.
- (b) The Committee may meet in private with the Company's Chief Risk Officer, Chief Financial Officer, or external auditor.
- (c) Any Committee member may, and the company secretary must upon request from any member, convene a meeting of the Committee.
- (d) All non-executive directors will be invited to all meetings of the Committee. The Committee may invite any executive director, executive, other staff member or external auditor to attend all or part of a meeting of the Committee. The majority of director attendees at a meeting of the Committee must be independent.
- (e) The proceedings of all meetings will be minuted by the company secretary. All minutes of the Committee are available for inspection by any director.
- (f) A quorum for any meeting will be at least two Committee members.

### 4. Duties and responsibilities

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The Committee's key responsibilities and functions are to assist the Board in discharging its responsibilities:

- (a) to oversee the establishment of and recommend to the Board for approval of an appropriate risk appetite statement for the Company;
- (b) to monitor and annually review the Company's risk appetite statement to satisfy itself that it continues to be current and relevant to the Company and advise the Board on its approval;
- (c) to oversee the establishment of and approving the Company's risk management framework (for both financial and non-financial risks) including its strategy, plans, policies, procedures and systems;
- (d) to monitor the effectiveness of and annually review and approve the Company's risk management framework and risk management plan to satisfy itself that they continue to be sound and that the Company is operating with due regard to the risk appetite statement approved by the Board;
- (e) to oversee the establishment of and approving the Company's crisis management plan;
- (f) to oversee the establishment of and annually review and approve the Company's compliance plan and to report on the effectiveness of the compliance plan at each meeting of the Committee;
- (g) to review and approve the Company's financial statements and reports;

- (h) in relation to the Company's financial reporting, which, without limitation, includes:
- (i) reviewing the suitability of the Company's accounting policies and principles, how they are applied and ensuring they are used in accordance with the statutory financial reporting framework;
- (j) assessing significant estimates and judgements in financial reports;
- (k) assessing information from the external auditor to ensure the quality of financial reports; and
- (l) recommending to the Board whether the financial and associated non-financial statements should be signed based on the Committee's assessment of them.
- (m) in relation to the entry into, approval or disclosure of related party transactions (if any);
- (n) to review and approve Part A of the AML & CTF program;
- (o) in overseeing the Company's financial controls and systems;
- (p) to review the outcomes of the Company's regulatory engagements;
- (q) to manage audit arrangements and auditor independence, including considering whether an internal audit function is required and, if not, ensuring that the Company discloses the processes it employs to evaluate and improve its risk management and internal control processes; and
- (r) ensuring that any periodic corporate report the Company releases to the market that has not been subject to audit or review by an external auditor discloses the process taken to verify the integrity of its content.

## 5. Reporting

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- (a) The Committee will:
  - (i) regularly report to the Board on all matters relevant to the Committee's role and responsibilities;
  - (ii) advise the Board in a timely manner of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company;
  - (iii) report and, as appropriate, make recommendations to the Board after each Committee meeting on matters dealt with by the Committee; and
  - (iv) as and when appropriate, seek direction and guidance from the Board on audit, risk management and compliance matters.
- (b) Minutes of Committee meetings will be included in the papers for the next full Board meeting.

## 6. Preparation and presentation of financial statements and reports

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The Committee will:

- (a) after review with management and the external auditor, recommend to the Board the half year and full year financial statements, the preliminary financial reports to be lodged with ASX and all related financial reports and statements;
- (b) review representation letters to be signed by management to ensure that all relevant matters are addressed;
- (c) discuss matters raised by the external auditor as a result of their work;
- (d) assess the impact of changes in accounting standards and review recommendations for adoption of such changes in the financial accounts; and
- (e) ensure that appropriate processes are in place to form the basis upon which the Chief Executive Officer and Chief Financial Officer execute their certifications under section 295A of the *Corporations Act 2001* (Cth) (**Corporations Act**) to the Board at financial year end in relation to the systems of internal controls, and that that system is operating effectively in all material respects in relation to financial reporting risks.

## 7. Financial controls and systems, risk management strategy, policies, procedures and systems

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- (a) The Committee will oversee the effectiveness of the Company's financial controls and systems, oversee the risk management function (as detailed below) and evaluate the structure and adequacy of the group's insurance coverage periodically.
- (b) The risks faced by the Company may include regulatory and compliance risk, investment risk, governance risk, legal risk, economic risk, environmental risk, social risk, occupational health and safety risk, financial risk, reputation risk, credit risk, operational and execution risk and strategic risk.
- (c) Responsibility for risk management is shared across the organisation. Key responsibilities include the following:
  - (i) The Board is responsible for overseeing the:
    - (A) establishment of and approval of an appropriate risk appetite statement for the Company;
    - (B) establishment of and approving the Company's risk management framework (for both financial and non-financial risks) including its strategy, plans, policies, procedures and systems; and
    - (C) disclosure of any material exposure that the Company has to environmental or social risks and how the Company intends to manage those risks.
  - (ii) The Company's management is responsible for establishing the Company's risk management framework, including identifying major or potentially major risk areas and developing the Company's plans, policies and procedures, which are designed effectively to identify, treat, monitor, report and manage key business risks;

- (iii) The Board has delegated to the Committee responsibility for:
  - (A) reviewing and monitoring the Company's risk appetite statement to satisfy itself that it continues to be current and relevant to the Company and advise the Board on its approval. A review of the Company's risk appetite statement should be undertaken annually, and the Committee should ensure that the Board discloses whether such a review has taken place in the Company's annual report;
  - (B) identifying major or potentially major risk areas;
  - (C) reviewing, monitoring and approving the Company's risk management framework and risk management plan to provide assurance that major business risks (including contemporary and emerging risks) are identified, consistently assessed and appropriately addressed. In addition, the Committee should undertake an annual review and approval of the Company's risk management framework and risk management plan with management to satisfy itself that the Company's risk management framework and risk management plan continue to be sound (including whether there have been any changes to material business risks and whether the Company is operating within the risk appetite statement approved by the Board). The Committee should ensure that the Board discloses whether such a review has taken place in the Company's annual report;
  - (D) considering the Company's approach to occupational health and safety, economic, environmental and social risks, including the benchmarks the Company uses to measure performance on issues of sustainability and their achievements against those benchmarks;
  - (E) ensuring that risk considerations are incorporated into strategic and business planning;
  - (F) reviewing any material incident involving fraud or a break-down of the risk management framework and identifying "lessons learned";
  - (G) providing risk management updates to the Board and any supplementary information required to provide the Board with confidence that key risks are being appropriately managed;
  - (H) reviewing reports from management concerning compliance with key laws, regulations, licences and standards which the Company is required to satisfy to operate;
  - (I) reviewing new products and assessing changes in risk appetites;
  - (J) overseeing tax compliance and tax risk management; and
  - (K) reviewing any significant findings of any examinations by regulatory agencies.
- (iv) The Chief Executive Officer and Chief Financial Officer are to provide to the Board declarations in accordance with section 295A of the Corporations Act.
- (v) Each employee and contractor is expected to understand and manage the risks within their responsibility and boundaries of authority when making decisions and undertaking day to day activities.
- (vi) It is the responsibility of the Committee to report to the Board about the Company's adherence to policies and guidelines approved by the Board for the management of

risks. This includes bringing to the Board's attention any instances where the Company either has or may need to operate outside the current risk appetite set by the Board or where disclosure to the market might be required.

- (vii) The Chief Executive Officer, Chief Financial Officer and Chief Risk Officer are each responsible for reporting to the Committee on:
  - (A) any exposures or breaches of key policies, procedures or systems, or incidence of risks, where significant (including any material incidents reported under the Company's Code of Conduct, Anti-Bribery and Corruption Policy and Whistleblower Protection Policy);
  - (B) new and emerging sources of risks (including the risk controls and mitigation measures that have been or are being put in place by management to deal with those risks);
  - (C) areas of current and future focus;
  - (D) any disclosure-related considerations; and
  - (E) proposed changes to the Company's risk management framework.
- (viii) Risk issues will be identified, analysed and ranked in a consistent manner. the Company will deal with risks in the following way:
  - (A) identify the nature of the risk;
  - (B) determine the seriousness of such risk, and who the risk is to be reported to;
  - (C) develop a risk mitigation plan;
  - (D) implement the risk mitigation plan; and
  - (E) monitor and report progress of the risk mitigation plan.

## 8. Compliance controls and plans

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The Committee will:

- (a) oversee the establishment of and annually review and approve the Company's compliance plan;
- (b) monitor changes to the various laws, regulations, and regulatory, licencing and reporting requirements that apply to the Company;
- (c) review the process and outcomes of the Company's regulatory engagements;
- (d) monitor the Company's handling of complaints;
- (e) monitor the Company's internal controls and procedures designed to achieve compliance with applicable laws and regulations; and
- (f) report on the effectiveness of the Company's compliance plan at each meeting of the Committee.

## 9. External audit

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The Committee:

- (a) is responsible for making recommendations to the Board on the appointment, reappointment or replacement (subject to shareholder ratification, as required), remuneration, monitoring of the effectiveness, and independence of the external auditor;
- (b) will discuss annually with the external auditor the overall scope of the external audit and ensure the external auditor attends the Company AGM and is available to answer questions from security holders relevant to the audit;
- (c) must pre-approve all audit and non-audit services provided by the external auditor (other than taxation services) and will not engage the external auditor to perform any non-audit or assurance services that may impair or appear to impair the external auditor's judgment or independence in respect of the Company. The Committee may delegate a pre-approval dollar limit to the Chief Financial Officer and authority to a member of the Committee to pre-approve amounts in excess of this between Committee meetings;
- (d) will advise the Board on statements to be made in the directors' report regarding non-audit services in accordance with the Corporations Act;
- (e) will annually request from the external auditor a report which sets out all relationships that may affect its independence; and
- (f) will review the procedures for selection and appointment of the external auditors and rotation of external audit engagement partner.

## 10. Complaints reporting

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The Committee is to establish procedures for dealing with complaints received by the Company (including receipt, retention, and effective treatment of these complaints) regarding accounting, internal accounting controls, or auditing matters, and submissions by employees of the Company, including anonymous submissions, of concerns regarding questionable accounting or auditing matters. All such employee submissions shall be treated as confidential. The Committee shall receive reports of evidence of any material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty.

## 11. Access to information and independent advice

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- (a) The Committee may seek any information or advice it considers necessary to fulfil its responsibilities.
- (b) The Committee has access to:
  - (i) the Company's management, to seek explanations and information from them; and
  - (ii) external and internal auditors to seek explanations and information, without the Company's management being present.
- (c) The Chief Financial Officer, Chief Risk Officer and company secretary shall have free and unfettered access to the Chair of the Committee.

- (d) The Committee may seek professional advice from appropriate external advisers, at the Company's cost. The Committee may meet with these external advisers without the Company's management being present.

## 12. Reviews and changes to this Charter

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- (a) The Committee will review this Charter annually or as often as it considers necessary.
- (b) The Committee will make recommendations to the Board on changes to the Company's risk management framework or the risk appetite set by the Board.
- (c) The Board may change this Charter (including the responsibilities of the Committee) from time to time by resolution.

## 13. Committee performance

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- (a) The Board will, at least once in each year, review the membership 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.
- (b) The Committee shall make an evaluation of its performance at least once every two years, which is made available to the Board for review, to determine whether it is functioning effectively by reference to current best practice.