

Audit and Risk Management Committee Charter

1. Purpose

The Audit and Risk Management Committee (*Committee*) of the Board of Directors (*Board*) of National Roads and Motorists' Association Limited (*NRMA*) has been established in accordance with NRMA's constitution.

The Committee has been established to assist the Board in matters relating to:

- a) the external reporting and audit of the financial information of NRMA and its subsidiaries (*NRMA Group*);
- b) the internal control environment of the NRMA Group, including the internal audit function;
- c) the NRMA Group's risk appetite, risk reviews and the policies and controls for risk management, including the effectiveness of, and compliance with, that risk appetite, and those policies and controls;
- d) promoting a culture of safety; and
- e) promoting a culture of compliance by the NRMA Group and its staff, (*Committee's Purpose*).

The Board delegates to the Committee the powers and authority set out in this Audit and Risk Management Committee Charter (*Charter*). The Board may make other delegations to the Committee from time to time.

This delegation supersedes the Audit and Risk Management Committee Charter approved by the Board on 14 December 2016.

2. Scope of Authority

The scope of the Committee's delegated powers and authority is set out in this Section 2.

2.1 Financial Reporting

- a) **The Committee has authority to consider and recommend to the Board for approval:**
 - i. the annual statutory financial reports of the NRMA Group, directors' report and any other accompanying reports; and
 - ii. changes to key accounting policies recommended by management.
- b) In recommending the reports referred to in Section 2.1(a)(i) to the Board for approval, **the Committee must review and consider:**
 - i. management representations, including the declarations made by the Group CEO and CFO and key management personnel in relation to the financial reports;
 - ii. the appropriateness of disclosures in the reports, particularly in relation to matters of estimates and judgment;
 - iii. compliance with accounting standards and other reporting requirements;
 - iv. any significant accounting and reporting issues, including changes to accounting standards and regulatory requirements and their impact on the financial reports of the NRMA Group;
 - v. the accounting treatment and disclosure of any significant or unusual transactions;
 - vi. significant audit adjustments and unadjusted audit differences;
 - vii. the form of the proposed opinion to be issued by the external auditor; and
 - viii. any other matters which the Committee considers relevant.

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2.2 External Audit

- a) **The Committee has authority to consider and recommend to the Board for approval** the appointment or removal of the external auditor to be put to members for approval.
- b) **The Committee has authority to consider and approve:**
- i. the overall scope and terms of the external audit, including the audit engagement fee;
 - ii. any changes to the external auditor's terms of engagement;
 - iii. audit and non-audit services provided by the external auditor (provided that the external auditor must not be appointed to undertake any non-audit assurance services that may impair the external auditor's judgement or independence);
 - iv. the hiring of employees or former employees of the external auditor;
 - v. the content and release to the public of any significant financial reports and statements recommended by management, other than the reports referred to in Section 2.1.
- c) **The Committee must:**
- i. assess the quality and effectiveness of the external audit conducted;
 - ii. monitor, and consider, the independence of the external auditor (including review the rotation of audit partners of the external auditor);
 - iii. review reports from the external auditor, assess the findings and recommendations, and consider whether management has responded appropriately to those findings and recommendations; and
 - iv. discuss with the external auditor matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management responses,
- and must report to the Board on the exercise of such responsibilities.**

2.3 Internal Audit

- a) **The Committee has authority to consider and approve:**
- i. the Internal Audit Charter;
 - ii. the annual Internal Audit Plan (including any overview of the broader assurance activities for the NRMA Group) and the three-year Strategic Internal Audit Plan;
 - iii. the appointment and removal of the internal auditor, as recommended by the Group CEO (which may be an employee or an external services provider or a combination of both) (*Internal Auditor*) and decisions regarding their performance and evaluation;
 - iv. the policies for the receipt and treatment of any confidential and/or anonymous information relating to questionable accounting or auditing practices or matters relating to non-compliant conduct or fraudulent behaviour; and
 - v. any actions to correct any noted deficiencies as a result of any of the reviews referred to in Section 2.3(c) below.

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- b) **The Committee has authority to:**
- i. receive and consider communications from the Internal Auditor on the performance of the internal audit function, including with respect to the Internal Audit Plan;
 - ii. make enquiries of management and the Internal Auditor to determine whether the scope and resources of the internal audit function are appropriate; and
 - iii. meet periodically with the Internal Auditor without management present.
- c) **The Committee must review:**
- i. whether there are any impediments to the independence, objectivity and effectiveness of the internal auditor;
 - ii. the results of internal audits and the adequacy of management's responses to the internal controls systems (including accounting, financial and operational controls) that are in place to minimise or eliminate material risks; and
 - iii. the results of internal audits or investigations of, and the adequacy of management's responses to, areas of non-compliant conduct or fraudulent behaviour.
- d) **The Committee must monitor** the implementation of any actions approved under Section 2.3(a)(v) above.

2.4 Risk Management

- a) **The Committee has authority to consider and recommend to the Board for approval** the risk appetite that should be adopted by NRMA.
- b) **The Committee has authority to consider and approve:**
- i. the risk management policies to identify, assess, monitor and manage business risks;
 - ii. the policies to manage insurable risks; and
 - iii. any actions to mitigate any critical¹ and/or non-tolerable risk exposures and any associated incidents to an acceptable tolerable level or eliminate them entirely.
- c) **The Committee must monitor** NRMA's quarterly risk reviews and compliance with the risk appetite and risk management policies approved under Section 2.4(a) and (b) above. The quarterly risk reviews must comprise two full risk reviews and two critical risk reviews each year and ARMC **will report those risk reviews to the Board.**
- d) **The Committee has authority to consider** the adequacy of the NRMA Group's insurance coverage and any self-insurance **and recommend to the Board for approval** any changes to such arrangements.

¹ "Critical" is as defined in the risk management policy of the NRMA Group from time to time.

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2.5 Regulatory Compliance

- a) **The Committee has authority to consider and approve:**
- i. the policies and controls to achieve ongoing legislative compliance with relevant regulations, in relevant jurisdictions, as recommended by the Group CEO or as the Committee considers appropriate;
 - ii. the policies for dealing with related party transactions;
 - iii. the NRMA Group's tax management framework; and
 - iv. subject to Section 2.1(a), the public release of any tax-related information.
- b) **The Committee must monitor:**
- i. the compliance approach for compliance with the policies and controls approved under Section 2.5(a) above; and
 - ii. the implementation of actions committed to, or required by, any regulatory body for any material regulatory violation.

2.6 Safety

- a) **The Committee has authority to consider and approve** the policies to identify, assess, manage and review the safety of staff, visitors, customers and others in the workplace.
- b) **The Committee must monitor** compliance with the policies developed in accordance with 2.6(a) and their effectiveness in achieving safe outcomes.

2.7 Data governance and cybersecurity

- a) **The Committee has authority to consider and approve** the policies to identify, assess, manage and review NRMA's data governance and cybersecurity.
- b) **The Committee must monitor** compliance with the policies developed in accordance with 2.7(a) and their effectiveness in achieving an appropriate level of data governance and cybersecurity.

2.8 Organisational Resilience

- a) **The Committee has authority to consider** the adequacy of staff and director training on the business continuity plans and crisis management plans for the NRMA Group and **approve** any actions to correct any noted deficiencies.
- b) **The Committee has authority to consider and recommend to the Board for approval**, the business continuity and crisis management approach (including plans) for the NRMA Group.

2.9 Other Matters

In addition to the powers and authority set out in Sections 2.1 – 2.8 above:

- a) **The Committee has authority to consider and approve** any other matters relating to the Committee's Purpose as set out in Section 1 above, **provided that this Charter does not authorise the Committee to:**
- i. approve any matter which the Committee only has the authority to recommend to the Board as set out in Sections 2.1 – 2.8 above;

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- ii. approve any expenditure except:
 - A. under Sections 2.2(b)(i) and 2.3(a)(ii) above; or
 - B. where the Committee otherwise considers it necessary or appropriate to do so in order to discharge its functions satisfactorily,and, in relation to any expenditure that is not within the Board-approved budget, the Committee has authority to approve an adjustment to that budget and related targets equal to the amount of that expenditure;
- iii. take any action or approve any matter that is not consistent with NRMA's risk profile and risk appetite; or
- iv. take any other action that the Board has expressly reserved to itself from time to time.

2.10 Referral from Group CEO

- a) To the extent that a matter is within the delegated authority of the Committee under this Charter to approve and also within the Group CEO's delegated authority from the Board to approve, the Group CEO is not precluded from approving that matter.
- b) However, the Group CEO may refer to the Committee any matter relevant to the Committee's Purpose, whether or not that matter is:
 - i. within the Group CEO's delegated authority from the Board (for example, where the Group CEO considers the matter should be referred to, or discussed with, the Committee); or
 - ii. outside of the Group CEO's delegated authority from the Board, (each a *Referred Matter*).
- c) In relation to any Referred Matter, **the Committee has authority to:**
 - i. **approve** that Referred Matter if the matter is within the scope of the Committee's approval powers under this Charter;
 - ii. **consider and make recommendations to the Group CEO** for approval by the Group CEO if the Referred Matter is within the Group CEO's delegated authority; or
 - iii. **otherwise, make recommendations to the Board** for approval.

The Committee has authority to sub-delegate to such persons (or categories of persons) as the Committee determines from time to time, the authority to execute, implement and/or finalise any matter that has been approved by the Committee pursuant to this Charter, on terms and conditions substantially in accordance with the Committee's approval.

- a) The delegation of authority under this Charter does not preclude the Board from exercising power or authority in relation to a matter that is within the Committee's delegated authority, if the Board so decides.
- b) In addition, the Committee may at any time, through the Committee Chair, refer any matter that is before the Committee to the Board for consideration (even if that matter falls within the Committee's authority under this Charter to approve).

Membership of the Committee and the protocols and processes applying to the Committee and conduct of the Committee's business will be in accordance with the **Protocol For Board Committees** document.

3. Sub-delegations

4. No Limitation on Board's Power

5. Membership and Protocols

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6. Reporting and Accountability to the Board

The Committee is accountable to the Board for the exercise of the Committee's delegated authority under this Charter. The Committee will:

- a) make available copies of its minutes to the Board on request;
- b) report to the Board on the exercise by the Committee of its authority;
- c) through the Committee Chair, provide updates and make recommendations to the Board on matters that are within the scope of this Charter; and
- d) through the Committee Chair, promptly bring to the attention of the Board any matters before the Committee that may materially impact the financial condition, risk profile or affairs of NRMA, or any material non-compliance with applicable laws.

7. Committee Performance and Charter Review

- a) The Committee will review its performance periodically, including to consider whether it is performing effectively and has met the terms of this Charter, and will report the outcome of the review to the Board.
- b) The Committee will review this Charter at least every two years to ensure it remains current to the needs and structure of NRMA, and recommend amendments to the Board for approval. This Charter may only be amended by a resolution of the Board.

Approved by NRMA Board on 29 November 2018