

June 2020

Audit & Risk Management Committee Charter



PIONEER CREDIT LIMITED ACN 103 003 505 (COMPANY)

1. Composition

The Audit and Risk Management Committee ('ARMC') will be structured so that it has at least three members, all of whom are non-executive directors and a majority of whom are independent. The Chair of the ARMC must be independent and not also Chair of the Board.

All members of the ARMC must be:

- a) financially literate (that is, be able to read and understand financial statements);
- b) at least one member must have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters); and
- c) some members should have an understanding of the industry in which the Company operates.

From time to time, non-ARMC members may be invited to attend meetings of the ARMC, if it is considered appropriate.

2. Role

The role of the ARMC is to monitor and oversee audit and risk management, ensure compliance and report to the Board and includes:-

- a) monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
- b) review the Company's internal financial control system;
- c) monitor management's performance against the entity's risk management framework, including whether it is operating within the risk appetite set by the Board;
- d) review any material incident involving fraud or a breakdown of the entity's risk controls and the lessons learned;
- e) approve the internal audit plan and receive reports from internal audit on its reviews of the adequacy of the entity's processes for managing risks;
- f) receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
- g) make recommendations to the Board in relation to changes that should be made to the entity's risk management framework or to the risk appetite set by the Board;
- h) Oversee the Company's insurance program;

- i) monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services (in accordance with Annexure 1);
- j) monitor and review compliance legislation, regulations and policies and procedures that include, but not limited to, Company's Risk Management Policy, Code of Conduct and Whistle-blower Policy; and
- k) perform such other functions as assigned by law, the Company's Constitution or the Board.

Ultimate responsibility for the integrity of the Company's financial reporting rests with the full Board.

3. Operations

The ARMC will meet at least half yearly, with further meetings on an as required basis. Minutes of all meetings of the ARMC must be kept. The minutes must be tabled at each subsequent meeting of the full Board, and a report of actions taken by the ARMC also given by the Chair of the ARMC at each subsequent meeting of the full Board. ARMC meetings will be governed by the same rules, as set out in the Company's Constitution as they apply to the meetings of the Board.

4. Responsibilities

The periodic responsibilities of the ARMC are as set out in accordance with Annexure 2.

5. Procedure for selection, appointment and rotation of external auditor

5.1. Responsibility

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, under recommendation of the ARMC. Any appointment made by the Board must be approved by shareholders.

5.2. Selection criteria

a) Mandatory criteria

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

b) Other criteria

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost, performance and any other matters deemed relevant by the Board.

5.3. Review

The ARMC will review the performance of the external auditor on an annual basis and make any recommendations to the Board.

6. Authority and resources

The Company is to provide the ARMC with sufficient resources to undertake its duties, including provision of educational information on accounting policies and other financial topics relevant to the Company, and such other relevant materials requested by the ARMC.

The ARMC has the authority to seek any information required from any employee and all employees must comply with such requests. Unless a conflict exists or to do so would be inconsistent with the director's duties, the director is to request such information via the Managing Director.

The ARMC has rights of access to management and has the authority to seek explanations and additional information from the Company's external auditors, without management present, when required.

The ARMC has the power to conduct or authorise investigations into any matters within the ARMC's scope of responsibilities. The ARMC has the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.

7. Review of Charter

The ARMC will review this ARMC Charter at least annually and will recommend to the Board the charter for approval if any updates are made.

8. Charter history

Adopted 25 February 2014

Last Reviewed June 2020

Protocols on Non Audit Services by Independent External Auditors

Overview

1. The ARMC is responsible for reviewing and recommending to the Board the appointment, terms of engagement, remuneration and removal of the external auditor. The ARMC is also responsible for monitoring and evaluating the independence of the external auditor on a regular basis which includes:
 - the development and oversight of the Group's policy on the engagement of the external auditor to supply non-audit services; and
 - ensuring compliance with this policy.

Purpose

2. The purpose of this policy is to establish guidelines so that the Group complies with applicable laws, accounting standards, the ARMC Charter and best practice with regard to the independence of external auditors.

Non Audit Services

3. As a general rule, the CFO may engage the external auditor to provide non audit services where:-
 - It is not a *Prohibited Non Audit Service*;
 - It is most efficient to provide the service because of their existing knowledge of the business;
 - The information required is a by-product of the audit process;
 - The fee for the particular engagement does not exceed \$100,000; and
 - The annual fees for all non audit services do not or is not likely to exceed 50% of the auditor's annual audit fees (inclusive of tax assurance services).

In addition to the taxation assurance services already provided by its auditors, the ARMC specifically encourages the allocation of assignments in the taxation area to a range of firms, to ensure that the Company has an appropriate choice of service providers who are not only competent in their area but also have an understanding of the Group's businesses.

The ARMC may therefore determine that it is more appropriate for certain assignments to be undertaken by firms other than the external auditor notwithstanding the fact that the assignment does not involve the provision of prohibited non audit services.

Any Non Audit Services outside the rules described above can be approved with prior written approval of the Chair of the ARMC.

Prohibited Non Audit Services are any services that, if provided by the external auditor to the Group, would create a real or perceived threat to the independence of the external auditor.

More particularly, unless the ARMC decides otherwise, the external auditor is prohibited from:-

- providing appraisal or valuation and fairness opinions;
- performing internal audit services;
- performing executive recruitment or extensive human resources functions;
- acting as a broker-dealer, promoter or underwriter;
- providing legal services;
- seconding senior staff to act in a management capacity; or
- performing book-keeping or services relating to accounting records which form the source of the financial report (excluding offshore services that represent administrative type work).

Furthermore, the external auditor cannot be engaged to undertake any non audit services for the Group that results in the external auditor:

- creating a mutual or conflicting interest within the Group
- auditing their own work;
- acting in a management capacity or as an employee of the Group; or
- acting as an advocate for the Group.

Monitoring and Reporting

Management and Auditor

4. Management and the Auditor will provide reports to the Committee regarding:-

- any non audit services that have been provided by the Auditor during the relevant period; and
- the amounts paid to the Auditor for those services, together with comparative information for prior years.

For each of the non audit services reported on, the report must identify whether the service is one that:-

- is normally performed by external auditors;
- is commercially sensible for the external auditors to perform; or
- could be performed by any suitably qualified firm.

External Auditor

5. The external auditor will provide the ARMC with annual and half year certifications of their continued independence in accordance with the requirements of the Corporations Act 2001 (Cth), and, in particular, confirming that they have not carried out any engagements during the year that would impair their professional independence as auditor, as contemplated by APES 110.

Committee

6. The Company Secretary will monitor whether this policy is being complied with and will periodically report to the Committee as to compliance. The Company Secretary must promptly report any breach of this policy to the Chair of the Audit & Risk Management Committee.

Reporting

7. Statements will be included in the Group's Annual Report with respect to each of the following:-
 - the fees paid to the external auditor for the non-audit services undertaken during the relevant financial year;
 - whether the Committee is satisfied that the provision of the non-audit services was compatible with the external auditor's independence; and
 - whether the Board is satisfied that the provision of the non-audit services was compatible with the general standard of independence as imposed under the Corporations Act 2001 (Cth) and their reasons for this.

Periodic Responsibilities of the ARMC

Financial reporting and internal controls

- Review half-year and annual financial statements and other periodic corporate reports¹
- Review the declaration signed by the Managing Director and Chief Financial Officer required by section 295A of the *Corporation Act 2001 (Cth)* and the statement required by Recommendation 4.2 of the ASX Corporate Governance Council's Principles and Recommendations for the half-year and annual financial statements
- Review compliance with relevant statutory and regulatory requirements
- Assess management's selection of accounting policies and principles
- Consider the external audit of the financial statements and the external auditor's report thereon including an assessment of whether external reporting is consistent with ARMC members' information and knowledge
- Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks including tax risk (and other business risks if authorised)
- Review the scope and adequacy of the internal audit work plan
- Receive periodic reporting from the Managing Director on the performance of operational risk function
- Assess if the external auditor's report is adequate for shareholder needs

Risk

- Review the risk register and receive the Managing Director's report on the Company's risk management framework
- Review the risk management framework
- Review the *Risk Management Policy*

¹ As defined in the ASX Corporate Governance Council Corporate Governance Principles and Recommendations, 4th edition.

Annual meeting with external auditor

- Discuss the Company's choice of accounting policies and methods, and any recommended changes
- Discuss the adequacy and effectiveness of the Company's internal controls
- Discuss any significant findings and recommendations of the external auditor and management's response
- Discuss any difficulties or disputes with management encountered during the course of the audit including any restrictions of access to required information

External auditor

- Review the Company's Procedure for the *Selection, Appointment and Rotation of External Auditor* in section 5
- Recommend to the Board to appoint and, if necessary, remove the external auditor and approve the terms on which the external auditor is engaged
- Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services
- Confirm the independence of the external auditor, including approving the external auditor's non-audit services and related fees
- Assess the overall performance of the external auditor
- Ensure external Auditor is requested to attend Annual General Meeting

Internal Communications and Reporting

- Provide the report described in clause 3 of the ARMC Charter
- Regularly update the Board about ARMC activities and make appropriate recommendations
- Ensure the Board is fully aware of matters which may significantly impact the financial conditions or affairs of the business

Other

- Verify the composition of the ARMC function is in accordance with the ARMC Charter
- Review the independence of each ARMC member based on the Company's criteria on assessing the independence of directors

- Review the ARMC Charter and Action Points at least annually, and update as required
- Develop and oversee procedures for treating complaints or employee concerns received by the Company regarding accounting, internal accounting controls, auditing matters and breaches of the Company's Code of Conduct
- Consider continuous disclosure requirements with regard to financial reporting
- Tax Governance