

Audit and Risk Committee Charter

July 2023



1. Introduction

This Charter is established by the Board of Navalo Financial Services Group Limited (the 'Company' or 'Navalo') and governs the operations, roles and responsibilities, composition, structure and membership requirements of the Audit and Risk Committee (the Committee).

2. Committee role

The role of the Committee is to assist the Board to carry out its responsibilities in relation to oversight of the operation and appropriateness of the accounting and audit functions of the Company as well as the Company's financial reporting, risk management and compliance frameworks. Accordingly, the Committee will meet on a regular basis to:

- assess the adequacy of management reporting on risks, operations and finances;
- monitor compliance with laws, regulations and applicable standards not otherwise reserved by the Board to itself or another Board Committee;
- review and approve all transactions in which the Company is a participant and in which parties related to the Company, including its executive officers, Directors and certain other persons who the Board determines may be considered related parties of the Company (for the purposes of Chapter 2E of the *Corporations Act 2001* (Cth) (Corporations Act)) or have or will have a material direct or indirect interest;
- oversee implementation of the Navalo's Continuous Disclosure and Communications Policy and ensure Navalo complies with its continuous disclosure obligations under the Corporations Act,¹ including to approve publications of "Material Information" on the Navalo website in accordance with Navalo's Continuous Disclosure and Communications Policy;
- establish, and ensure Navalo operates within its risk appetite framework;
- oversee accounting policies and review financial statements to ensure compliance with Corporations Act requirements, accounting standards and tax obligations;

¹ To the extent the Company has 100 or more shareholders it will remain an 'unlisted disclosing entity' under the Corporations Act and will be required to give continuous disclosure of information that is not generally available and a reasonable person would expect to have a material effect on the price or value of the Company's securities, by publishing continuous disclosure notices on its website and/or lodging such notices with ASIC under s675 of the Corporations Act. Refer to the Company's Continuous Disclosure and Company Communications Policy for further details.

- agree on a program of internal audits (if any) and review reports and findings of the internal audit function if this function is in place;
- review the performance of, and consult with, external auditors, and recommend their removal or replacement if required;
- consider the requirement for, and scope of, an effective and efficient internal and external audit function; and
- review risk management (including credit risk) and internal control systems.

3. Committee composition and operations

3.1. Membership

The Committee will comprise only of non-executive Directors (and if practical a majority of independent non-executive Directors). Committee members are appointed and removed (if necessary) by the Board.

The Committee will be of sufficient size, independence and technical expertise to discharge its mandate effectively and will comprise at least three members, including at least one independent Director.

The Board will also appoint a Chair of the Committee (Committee Chair), who must be an independent non-executive Director and not the Chair of the Board.

The Committee members will collectively have the accounting and financial expertise, necessary technical knowledge, and a sufficient understanding of the financial services industry to be able to discharge the Committee's mandate effectively.

Each member will be able to read and understand financial statements, have familiarity with financial management and the consumer finance sector. At least one member will have relevant qualifications and experience (that is, as a qualified accountant or other finance professional with experience of financial and accounting matters).

If a member ceases to be a Director, then they automatically cease to be a member of the Committee. A member may cease to be a member of the Committee if they give reasonable notice in writing to the Committee Chair or the Committee Chair gives notice in writing that the person is to cease to be a member of the Committee.

3.2. Meetings

- a) The Committee will meet often enough to undertake its role effectively, being at least four times each calendar year. Special meetings may be convened by the Committee Chair at the request of a member, external auditors or the Chair of the Board.
- b) Meetings must be minuted.

- c) The Committee may invite additional attendees to its meetings (including staff, the CEO, CFO, CRO, internal and external auditor or other external parties) as deemed necessary, whether on a permanent or ad hoc basis.
- d) A quorum for the Committee is two members.

3.3. Committee Authority

The Committee has the authority to:

- a) investigate any matter brought to its attention and obtain any information it deems relevant (including full access to all books and records and facilities of the Company);
- b) seek any information it requires from employees, management or external parties;
- c) interview internal and external auditors (with or without management present); and
- d) seek advice from external consultants or specialists where the committee considers that necessary or appropriate.

3.4. Secretary

The Company Secretary, or other person as nominated by the Board, will be the Committee Secretary, reporting to the Committee Chair for the purpose of providing administrative support to the operations of the Committee.

The Committee Secretary will attend all Committee meetings and, in conjunction with the Committee Chair, must prepare an agenda to be circulated to each Committee member prior to each meeting of the Committee.

The Committee Secretary must take meeting minutes and include them (or arrange for them to be included) in the Board papers for the next Board meeting after the Committee meeting.

4. Committee Responsibilities

4.1. Business context

Committee members will ensure they individually and collectively understand the Company's structure, business including business model and controls sufficiently to adequately assess the significant risks faced by the Company and the measures in place to address them.

4.2. Corporate and Financial reporting

The Committee will review and make recommendations to the Board on:

- a) the adequacy of the Company's corporate reporting processes and internal control framework;
- b) financial matters relevant to Company reporting obligations and whether the Company's financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the Company's financial position and performance;
- c) the appropriateness of the accounting judgments or choices exercised by management in preparing the entity's financial statements;
- d) the appropriateness of Company risk frameworks and risk management processes;
- e) the appropriateness of external and internal audit performance appropriate to the Company's size, nature and complexities of matters considered in the audit process; and
- f) other financial information distributed externally as required.

4.3. External auditors

The Committee will review and make recommendations to the Board on:

- a) the appointment, removal, and remuneration of the external auditor, including but not limited to:
 - i. the terms of appointment of the external auditor; and
 - ii. the audit and non-audit services provided by the external auditor;
- b) the rotation of the audit engagement partner;
- c) the independence and performance of the external auditor, including:
 - i. review of any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company; and
 - ii. a review of any appointments of the external auditor to provide non-audit services and whether those appointments may impair or appear to impair the external auditor's judgement or independence in respect of the Company;
- d) any proposals for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor; and
- e) the scope and adequacy of the external audit.

The Committee will provide a statement to the Board annually as to whether the provision of any non-audit services provided by the external auditor are compatible with the required level of external auditor independence.

4.4. Internal auditors

If the Company has an internal audit function, the Committee will be responsible for reviewing and making recommendations to the Board in relation to:

- a) the appointment or removal of the head of internal audit function;
- b) the scope and adequacy of the internal audit work plan; and
- c) the independence, objectivity and performance of the internal audit function.

4.5. Risk management

The Committee will:

- a) monitor management's performance against the Company's risk management framework, including whether it is operating within the risk appetite set by the Board;
- b) review any material incident involving fraud or a break-down of the Company's risk controls and report to the Board on measures to address the cause in future;
- c) receive reports from:
 - i. internal audit on its reviews of the adequacy of the Company's processes for managing risk; and
 - ii. 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;
- d) review and make recommendations to the Board in relation to changes that should be made to the Company's risk management framework or to the risk appetite set by the Board; and
- e) oversee the Company's insurance program, having regard to the Company's business and the insurable risks associated with its business.

4.6. Reporting to the Board

- a) The Committee will regularly report to the Board on all matters relevant to the Committee's role and responsibilities.
- b) The Chair will report, and as appropriate, make recommendations to the Board after each meeting of the Committee on matters dealt with by the Committee.
- c) As and when appropriate, the Committee will seek direction and guidance from the Board on audit, risk management and compliance matters.

- d) The Committee will ensure that the Board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company in a timely manner.

4.7. Assessment of accounting, financial and internal controls

Periodically, the Committee will meet separately with management and the external auditors to discuss:

- a) the adequacy and effectiveness of the accounting and financial controls, including but not limited to the Company's policies and procedures to assess, monitor, and manage business risk and legal and ethical compliance programs;
- b) the appropriateness of the accounting judgements and choices exercised by management in preparing the Company's financial statements; and
- c) issues and concerns warranting Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.

The Committee will provide sufficient opportunity for external auditors to meet privately with the members of the Committee. The Committee will review any audit problems or difficulties regarding management's response with the external auditor.

The Committee will receive regular reports from the external auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

4.8. Compliance with Laws and Regulations

The Committee will:

- a) gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis;
- b) obtain regular updates from management, the Company's legal counsel, auditors and any external parties as it thinks fit regarding audit, risk management and compliance matters, and regularly review existing compliance systems and consider any deficiencies in compliance risk measures;
- c) review any legal or regulatory matters (including any credit licensing, financial services licensing or other licensing requirements if applicable) which could significantly impact the Company's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports;
- d) review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations (including any credit licensing, financial services licensing or other licensing requirements if applicable) and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance;

- e) be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents; and
- f) review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.

5. Committee performance

The Board will evaluate the Committee's performance in accordance with this Charter as it considers appropriate.

6. Review

The Committee must review and reassess this Charter annually and obtain the approval of the Board for any amendments to the Charter. The Board will also review this Charter annually.

This Charter can only be amended with the approval of the Board.