



# Audit and Risk Committee Charter

The National Reconstruction Fund Corporation is a corporate Commonwealth entity established by the *National Reconstruction Fund Corporation Act 2023*. The NRFC's purpose is to facilitate the flow of finance to Australian businesses in seven priority areas of the economy.



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# 1 Governance

## 1.1 Purpose

The Board of the National Reconstruction Fund Corporation (**NRFC**) has established an Audit and Risk Committee in compliance with the *Public Governance, Performance and Accountability Act 2013 (Cth) (PGPA Act)*<sup>1</sup> and *Public Governance, Performance and Accountability Rule 2014 (Cth) (PGPA Rules)*.<sup>2</sup>

The purpose of this Audit and Risk Committee Charter (**Charter**) is to set out the role, responsibilities, membership and operation of the Audit and Risk Committee (**Committee**).

## 1.2 Authority

The Committee is a committee of the Board of the NRFC (**Board**) established in accordance with the *National Reconstruction Fund Corporation Act 2023 (Cth) (NRFC Act)*<sup>3</sup> and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities (s48). It has the authority and power to exercise the responsibilities set out in this Charter and under any separate resolutions of the Board granted to it from time to time.

Unless otherwise indicated, section references in this Charter are references to sections in the NRFC Act.

## 1.3 Subsidiaries

The NRFC may from time to time and in accordance with the PGPA Act and the NRFC Act, incorporate one or more subsidiaries to assist it in performing its investment functions under the NRFC Act. For the purposes of this Charter, a reference to NRFC includes a reference to each of its wholly owned subsidiaries unless the context requires otherwise.

# 2 Role of the Committee

The role of the Committee is to assist the Board to discharge its responsibilities under the NRFC Act, the PGPA Act, and the PGPA Rules in respect of financial reporting, performance reporting, external and internal audits, risk oversight and management, systems of internal control and compliance with relevant laws.

## 2.1 Committee composition and expertise

The Committee will consist of at least three members or as otherwise specified by the PGPA Rules.<sup>4</sup>

The Committee may be constituted partially or wholly from Board members (excluding the Chair of the Board), or wholly by persons who are not Board members (s48). The members of the Committee must be persons who are not employees of the NRFC, except to the extent permitted by the PGPA Rules.<sup>5</sup>

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<sup>1</sup> Section 45, PGPA Act.

<sup>2</sup> Section 17, PGPA Rules.

<sup>3</sup> Also see section 45, PGPA Act.

<sup>4</sup> Section 17(3), PGPA Rule.

<sup>5</sup> Section 17(3) to (5), PGPA Rule.

The Committee must be structured so that members have the appropriate qualifications, knowledge, skills, and experience to assist the Committee to perform its role and responsibilities, including:

- all members are financially literate, that is, are able to read and understand financial statements; and
- at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

## 3 Responsibilities

### 3.1 Committee

To discharge its roles and responsibilities, the key activities of the Committee include considering and providing recommendations and advice to the Board in relation to the following.

### 3.2 Financial and performance reporting

- Review and make recommendations (based on the Committee's assessment) to the Board for approval of:
  - the annual and interim management financial reports and statements (and any representation letters signed by management)
  - the NRFC's operating budget from a risk management perspective; and
  - the NRFC's annual performance statement
- review, assess and provide advice to the Board on the appropriateness of the NRFC's systems and procedures for assessing and reporting the achievement of the NRFC's performance. In particular, the Committee will satisfy itself that:
  - the NRFC's Portfolio Budget Statements and Corporate Plan include details of how the NRFC's performance will be measured and assessed
  - the NRFC's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, and has taken into account guidance issued by the Department of Finance
  - the NRFC has sound processes in place for the preparation of performance statements and the inclusion of the performance statements in its annual report
  - the NRFC's proposed performance statement is not inconsistent with the NRFC's financial information, including its financial statements, that it proposes to include in its annual report; and
  - the NRFC has sound processes in place for the preparation of quarterly investment reports (s82)
- review and provide advice to the Board on the appropriateness of the processes, systems and frameworks implemented by management in relation to the NRFC's financial reporting including for ensuring monitoring and compliance with laws, regulations, and other related requirements (relevant from time to time) relating to the preparation of accounts and external reporting by the NRFC of financial information and identification of any specific areas of concern or suggestions for improvement

- comply with directions and guidance from the Department of Finance under the PGPA Act in relation to financial and performance reporting; and
- assess the appropriateness of:
  - significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from management and Internal and the External Auditor; and
  - the accounting principles adopted by management in the composition and presentation of financial reports (including input from the External Auditor about the appropriateness of the accounting principles used) and the clarity of financial disclosure practices used by the NRFC.

### 3.3 External and Internal Audits

- Review and make recommendations to the Board to approve:
  - Internal Auditor appointment, terms of engagement, any replacement or dismissal (where appropriate) and oversee their independence. The Internal Auditors are accountable to, and report directly to the Chair and administratively to the Chief Risk Officer (CRO). The Committee is the channel for communication between the Board, management and the internal auditor
  - the external and internal audit plans and works programs (including to determine whether all material risks and financial reporting requirements are covered by the audit plan) and their associated scope and fees (where relevant); and
  - support the Australian National Audit Office as NRFC's mandated external auditor (**External Auditor**) in particular by providing input on planned financial statement and performance audit coverage and oversee their independence. The Committee is the channel to the Board for communication with the External Auditor and any consultants they engage.
- review the external and internal auditor reports and assess the findings, recommendations, and management's responses
- consult and periodically meet privately with the Internal Auditor and External Auditor including to discuss the conduct of any audits and access to information
- provide advice to the Board on any significant issues identified in audit reports and recommend action plans including in accordance with better practice
- monitor the performance, effectiveness and objectivity of the External Audit and internal audit functions; and
- oversee the coordination of the Internal Auditor with the External Auditor.

### 3.4 Risk oversight, management and internal control

- Review and make recommendations to the Board for approval of the NRFC's Risk Appetite Statement (**RAS**) and Risk Management Policy (**Risk Management Framework**)
- monitor and review the appropriateness of the RAS, the operations of the Risk Management Framework, and any other specified policies within the Committee's area of responsibility including as relates to their respective effectiveness, implementation, and adherence, and make recommendations to the Board on changes (where appropriate)

- oversee the identification, assessment, and management of climate-related risks and opportunities, and their integration into the organisation’s risk management and governance frameworks
- monitor and review the adequacy and effectiveness of the NRFC’s internal control framework, processes, and practices for managing key risk areas, including but not limited to:
  - fraud and corruption control
  - complaints, litigation, and claims
  - environmental, social, and governance
  - Information Communication Technology (**ICT**), information security infrastructure, and cybersecurity
  - business continuity; and
  - other relevant business risks not dealt with by other Board committees.
- Monitor and periodic reporting to the Board on:
  - the NRFC’s emerging and material risks including financial and non-financial risks and mitigation of such risks
  - the performance of the NRFC’s investment decisions, including oversight of NRFC’s impaired or troubled investments
  - material and actual incidents or any significant complaints related to matters overseen by the Committee; and
  - review the adequacy and effectiveness of insurance coverage having regard to the NRFC’s business, risk appetite, and risk profile.

### 3.5 Compliance

- Oversee and review the NRFC’s risk culture and behaviours and the impact of the NRFC’s culture on compliance processes
- review and monitor:
  - the effectiveness of the NRFC’s systems, procedures and practices that relate to compliance with laws, regulations, internal policies, and accounting standards; and
  - the results of any internal or management investigation(s) (including disciplinary action) as relates to instances of non-compliance or potential non-compliance with matters overseen by the Committee.
- Obtain regular updates from management about compliance and ethical matters that may have a material impact on the NRFC’s financial statements, strategy, operations, or reputation, including material breaches of laws, regulations, standards and corporate policies.

### 3.6 Liaising

The Committee will:

- liaise with the Remuneration, People and Culture Committee in relation to:
  - the NRFC’s remuneration related reporting in the financial statements contained in the annual report and any other financial reports required under the PGPA Act, the NRFC Act or any applicable financial services laws

- the Code of Conduct as it relates to embedding a culture that promotes the proper (that is, efficient, effective, economical and ethical) use and management of public resources
- liaise with the Board Investment Committee on relevant matters as deemed appropriate by the Committee; and
- ensure that the Chief Financial Officer (CFO), the CRO and those individuals responsible for managing risk and compliance within the NRFC have direct access to the Chair and the Committee members.

### 3.7 Chair

The Chair of the Committee is appointed by the Board and will chair all meetings. If the Chair of the Committee is not present at a Committee meeting, the other Committee members present must appoint one of themselves to perform the role of Chair for that Committee meeting.

The Chair will report to the Board on material matters discussed at the Committee.

### 3.8 Company Secretary

The Committee will be supported by the Company Secretary.

The Company Secretary may delegate any of the responsibilities of the Company Secretary set out in this Charter to the Corporate Governance team.

## 4 Committee practices

### 4.1 Convening meetings

The Committee holds meetings as necessary for the efficient and effective performance of its functions and responsibilities. Meetings are held at times and places that the Committee determines.

The Chair:

- may convene a meeting at any time but must convene at least 4 meetings each calendar year; and
- must convene a meeting within 30 days of receiving a request to do so from another Committee, the Chair of the Board, the External Auditor, the Internal Auditor, or those individuals responsible for the management of risk and compliance within the NRFC.

### 4.2 Quorum

Two (2) members constitute a quorum for meetings of the Committee provided there are no more than four members of the Committee. The majority of the Committee constitutes a quorum for meetings of the Committee if there are more than four members of the Committee.

However, if due to an actual, potential and/or perceived conflict of interest and/or duties:

- a Committee member is not present during deliberations, or is unable to take part in any decision of the Committee with respect to a particular matter; and
- when that member leaves the meeting concerned there is no longer a quorum present. The remaining members of the meeting constitute a quorum for the purpose of any deliberation or decision at that meeting with respect to that matter.

## 4.3 Decisions – Meetings

A question arising at a meeting is determined by a majority of the votes of the Committee members present and voting, noting a preference for unanimous approval.

The Chair or the person performing the role of the Chair at a Committee meeting has a deliberative vote and, in the event of an equality of votes, a casting vote.

## 4.4 Decisions – Circular resolutions

The Committee has flexibility to consider and make decisions on any matter without meetings if:

- all of the Committee members entitled to vote on the proposed decision are provided with the proposed resolution; and
- a simple majority of those committee members entitled to vote (**majority**) sign a document containing a statement that they are in favour of the resolution set out in the document.

The document may be signed in counterparts (including by electronic means), and the resolution is passed when the last Committee member entitled to vote that constitutes a majority signs the document.

All Committee members are to be informed of the proposed decision, or reasonable efforts made to inform all the Committee members of the proposed decision.

If a decision is made in accordance with the above procedure, the Committee is taken to have made a decision at a meeting.

In making any decision, Committee members:

- will approach all Committee deliberations in an independent, objective, impartial and unbiased manner
- will not do anything, whether in their capacity as a Board member or otherwise, to harm, or which has the potential to harm, NRFC's reputation and brand; and
- must not provide any commentary (on social media or otherwise) that may lead a reasonable person to conclude that they cannot serve in their capacity as a Committee member impartially and professionally.

## 4.5 Location

Committee meetings are to be held at the times and places that the Committee determines.

Committee members may participate in Committee meetings in person, by telephone, video conference, or any other means of communication. The use of technology is managed by the Company Secretary and the Chair.

A Committee member who participates in such a way is taken to be present at the meeting and to form part of any quorum for the meeting.<sup>6</sup>

## 4.6 Agenda, papers and minutes

The Chair will consult with the CFO, CRO and other members of the Executive as necessary, the Company Secretary and such other persons as the Chair considers appropriate to set Committee agendas.

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<sup>6</sup> s33B, *Acts Interpretation Act 1901*.

Committee papers will be uploaded to a board paper review platform (**Board Portal**) and will be available to Committee members five business days before a scheduled Committee meeting, or as otherwise agreed with the Chair. Where out of session or emergency meetings are required, papers will be provided at the earliest opportunity. It is the responsibility of each Committee member to ensure they can access the Board Portal and review the information provided to discharge their responsibilities as a Committee member.

The Committee, assisted by the Company Secretary, must keep the minutes in which it records the proceedings and decisions of all Committee meetings and must keep records of decisions made without a meeting.

The draft minutes of meetings and decisions will be distributed to the Chair and the Committee for review as soon as practicable following the relevant Committee meeting and ahead of the next Committee meeting. Minutes are taken as draft until they are ratified by the Committee at the next Committee meeting.

An annual forward planner including matters to be addressed throughout the year, dates, times, and locations of meetings will be agreed in consultation with the chair.

## 4.7 Attendees

In relation to meetings of the Committee:

- it is intended that each of the Internal Auditor, the External Auditor and the Executive will attend as required
- those individuals responsible for the management of risk and compliance within the NRFC will have a standing invitation to attend all or part of a meeting
- the Chair may also invite external advisors or any other person to attend all or part of a meeting
- any Board member who is not a member of the Committee will have a standing invitation, but not an obligation, to attend a meeting
- attendees may participate by telephone, videoconference, or any other means of communication. An attendee who participates in such a way is taken to be present at the Committee meeting; and
- attendance by attendees is subject to exclusion from all or any part of the meeting as deemed appropriate by the Chair.

## 4.8 Code of Conduct and Policies

Committee members will abide by the Board approved Code of Conduct and all other relevant Board approved policies.

## 4.9 Declaration of interests

A Committee member must give the other Committee members notice of, and disclose, any material personal interests or conflicts of interests in a matter that relates to the affairs of the NRFC.<sup>7</sup>

The disclosure should be made as soon as practicable after the Committee member becomes aware of their interest or an actual or potential conflict of interest. Details of the disclosure must be

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<sup>7</sup> s29, PGPA Act and s15, PGPA Rules.

recorded in the minutes of the meeting at which the disclosure is made or the meeting held after the disclosure.

Committee members may hold directorships or other roles with other organisations; however, they must ensure these roles do not prejudicially affect the proper performance of their duties and obligations as Committee members. This includes compliance with NRFC's Conflict of Interest Policy and Confidentiality Policy.

## 4.10 Access to information, personnel and advisers

The Chair will receive copies of all reports between management and each of the External Auditor and the Internal Auditor.

The Committee has the authority to:

- seek information it requires from management, an NRFC employee or consultant and request that such person(s) attend meetings to provide any information or advice that the Committee requires; and
- initiate special investigations if considered necessary.

The Chair, in consultation with the Chair of the Board, may seek independent professional advice (including legal, accounting, or other advice by experts or consultants) in relation to the performance of the Committee's roles and responsibilities at the NRFC's expense. The Company Secretary will facilitate obtaining that external advice.

# 5 Committee performance

## 5.1 Induction

New Committee members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

## 5.2 Evaluation

The Chair, in consultation with the Chair of the Board, will review the performance of the Committee from time to time as it deems appropriate, but in any event no less than annually as part of the Board performance evaluation process.

The result of the evaluation should identify, if relevant, any duties that the Committee has failed to perform and the remedial action that it has taken or proposes to take.

# 6 Review of this Charter

The Committee will review this Charter annually (or more frequently if required), to ensure it remains aligned with legislation and good practice. If any material amendments occur to the Charter arising from any review, the Charter will be provided to the Board for approval.

The Company Secretary may approve any immaterial and inconsequential amendments as necessary to maintain the accuracy and currency of this Charter. The Committee and the Board shall be promptly informed of any such amendments to this Charter.

## Document Review and Approval

<b>Sponsor</b>	<b>Approver</b>	<b>Approval Date</b>	<b>Next Review</b>
<b>Chief Legal Officer &amp; Company Secretary</b>	Board	August 2024	July 2025
<b>Chief Legal Officer &amp; Company Secretary</b>	Board	July 2025	July 2026
<b>Chief Legal Officer &amp; Company Secretary</b>	Board	March 2026	July 2026