

**FARMERS' MUTUAL GROUP and  
FMG INSURANCE LIMITED (collectively FMG)  
RISK and AUDIT COMMITTEE CHARTER**

## **1. Formation and Role**

The Farmers' Mutual Group Board and the FMG Insurance Limited Board (collectively the **Board**<sup>1</sup>) established the Risk & Audit Committee (**Committee**) and has delegated to it the responsibilities set out in this Charter. The primary objectives of the Committee are to assist the Board in fulfilling its obligations regarding:

- (a) The integrity of FMG's financial statements;
- (b) FMG's compliance with legal and regulatory requirements;
- (c) FMG's Compliance Policy;
- (d) Determining FMG's overall Risk Appetite and associated Enterprise Risk Management Framework;
- (e) Overseeing that the Enterprise Risk and Compliance Committee has assessed all the material risks to FMG and has established suitable risk management infrastructure capable of addressing those risks satisfactorily;
- (f) Overseeing risks, such as Strategic, Financial/ Solvency, Brand/ Reputation, Regulatory, People (excluding Wellbeing & Safety risks which are dealt with directly by the Board via the Executive Leadership Team), Infrastructure, Conduct, Insurance/ Reinsurance, Credit, Market, Liquidity, Operational, Climate and other risks;
- (g) The qualifications, independence, and performance of FMG's External Auditor;
- (h) Monitoring the performance of FMG's Internal Audit function and ensuring the adequacy of the internal control framework.

## **2. Responsibilities**

### Financial Statements

- (a) Reviewing significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understanding their impact on the financial statements.
- (b) Reviewing the interim and annual financial statements and disclosures and considering whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- (c) Recommending to the Board that it approve and release the financial statements and disclosures when the Committee is satisfied with the accuracy and completeness.

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<sup>1</sup> The Board may appoint an Associate Director. This role has no legal obligations to discharge the duties of the Committee.

### Internal Audit

- (d) Reviewing and approving the internal audit objectives, plans, activities, performance, and resourcing.
- (e) Ensuring that no unjustified restrictions or limitations that are put on the Internal Auditor.
- (f) Reviewing the quality and objectivity of the internal audit work.
- (g) Reviewing the Internal Audit reports, resolve any conflict of opinion between the Internal Auditor and Management.
- (h) Ensuring that Management resolves any material issues arising from audit points.

### External Audit

- (i) Reviewing and recommending to the Board the appointment of the External Auditor and their fees and oversee the rotation of the principal audit partner.
- (j) Reviewing and confirming the independence of the External Auditor by obtaining statements on relationships between the External Auditor and FMG, including non-audit services.
- (k) Reviewing and recommending to the Board the proposed audit scope and approach by the External Auditor, including coordination of audit effort with internal audit.
- (l) Ensuring that no unjustified restrictions or limitations that are put on the External Auditor.
- (m) Reviewing the quality and objectivity of the external audit work.
- (n) Reviewing with management and the External Auditor the results of audits and all matters required to be communicated to the Committee under generally accepted auditing standards.
- (o) Ensuring that Management resolves any material issues arising from audit points.
- (p) Reviewing the External Audit reports, resolving differences of opinion between management and the External Auditor.

### Enterprise Risk Management

- (q) Reviewing FMG's Key Risk report and the associated risk profile.
- (r) Ensuring FMG's Enterprise Risk framework is properly resourced, documented and continuously updated.
- (s) Providing direction to Management, including but not limited to modification of the Risk & Audit Committee Charter, on any matters necessary to ensure the Committee meets its obligations.

- (t) Reviewing litigation matters that pose a material risk to FMG.
- (u) Reviewing any issues of fraud that pose a material risk to FMG including reviewing reports on a periodic basis from the Protected Disclosure service.

#### Regulation, Compliance and Legal Obligations

- (v) Ensuring that the Compliance function is properly resourced, documented and continuously updated and that appropriate compliance reporting and monitoring systems are in place.
- (w) Monitoring and ensuring that FMG is compliant with applicable legislation and regulatory requirements,
- (x) Providing direction to Management, including but not limited to modification of the Enterprise Risk and Compliance Committee Charter, on any matters necessary to ensure the Committee meets its obligations under (v) and (w) above.

#### Internal Control

- (y) Monitoring the effectiveness of the company's internal control systems with Management, the Internal Auditor and the External Auditor and evaluating the processes FMG has in place for assessing and improving internal controls.
- (z) Monitoring Management's response to reported weaknesses in controls, deficiencies in systems and recommendations for improvement.

#### Other Responsibilities

- (aa) Monitoring ethical considerations and standards of corporate conduct in areas such as (but not limited to) arms-length dealings with likely conflicts of interest.
- (bb) Undertaking other matters as delegated by the Board.

### **3. Membership**

The Board will appoint and remove the members of the Committee, including its Chair, as it sees fit. The Committee will consist of not less than three Directors.

All members should have experience to be able to consider and contribute to the matters for which the Committee is responsible. At least one member should have financial expertise.

The Chair of the Committee cannot be the FMG Board Chair and the FMG Board Chair will not be a member of the Committee but will participate in an ex-officio capacity.

#### **4. Meetings**

The Committee will meet at least four times per year either in person or by video or telephone conference. The quorum is three members present. If a member is unable to attend, the Chair may appoint another Director to serve as an alternate. The Chair will convene a meeting if requested to do so by any Director, the Chief Executive, Internal Auditor, or the External Auditor.

At the invitation of the Committee, any employee of FMG or its subsidiaries, Internal Auditor, External Auditor, and other professional advisors may attend a meeting but will withdraw from the meeting at the request of the Chair.

Committee papers will be distributed to all Directors and invitees prior to the meeting.

Minutes of the Committee meetings will be provided to all Directors.

The Committee will meet with the Internal Auditor and External Auditor without any Management present at least once a year.

#### **5. Reporting and Authority**

The Committee recommends all matters requiring a decision to the Board for full consideration. It does not act or make decisions on behalf of the Board except as specifically requested to do so by the Board.

After each meeting and as regularly as deemed necessary, the Chair is to report to the Board about Committee activities, findings, issues, and related recommendations.

The Committee will ensure that there is an open avenue of communication between the Board and the Internal Auditor, the External Auditor and FMG Management and other staff.

FMG Management is responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the group, any material breakdown in internal controls, and any material events of fraud or malpractice or unmitigated material risks.

The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees will be directed to cooperate with any request made by the Committee.

The Committee may obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, subject to prior approval from the Chair of the Board and General Counsel.

#### **6. Charter Review**

This Charter will be reviewed annually. The Charter and amendments will be approved by the Board.