



Oil Search

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Audit and Financial Risk Committee Charter

Oil Search Limited and its subsidiaries

Document Control

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Section	Revision	Date	Reason for issue	Owner	Approver	Endorsed
Whole Charter	6	04/04/2018	Rewrite to align with AICD's 'Audit Committees Good Practice Guide' third edition	Head Assurance & Compliance	AFR Committee	Board
Whole Charter as per revision 6 and additional text to Section 4. Membership	7	12/12/2018	Review and approval by Board of the rewrite that occurred in April 2018, including adding reference to Independent Committee Members at Section 4	Head Assurance & Compliance	AFR Committee	Board



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1.0 PURPOSE

The Audit and Financial Risk Committee is appointed by the Board of directors to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to corporate reporting processes, including the financial reporting process, risk management of financial risks and internal control, external audit, internal audit and compliance (including the Code of Conduct).



2.0 AUTHORITY

The Board authorises the Audit and Financial Risk Committee, within its scope of responsibilities, to perform the activities identified within this Charter.

3.0 RESPONSIBILITIES

The Audit and Financial Risk Committee will carry out the following responsibilities:

3.1 Corporate Reporting

- Review the half year and annual financial statements presented by management, together with reports and opinions from the external auditor.
- Review significant accounting and reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant accounting estimates and judgements and the assessment of going concern.
- Review recent regulatory and professional pronouncements and understand their impact on the financial statements.
- Review the results of the audit with the external auditor, including significant adjustments, uncorrected misstatements and any difficulties encountered or unresolved disagreements with management.
- Review the appropriateness of disclosures in the financial statements and financial reporting to stakeholders, particularly in regard to estimates and judgements.
- Review all matters required to be communicated to the Audit and Financial Risk Committee under Australian Auditing Standards and applicable PNG standards with management and the external auditor, such as key audit matters for listed companies, significant internal control deficiencies, indications of fraud or corruption and non-compliance with laws or regulations.
- Review management representations, including the MD and CFO declarations regarding the financial report and financial records.
- Provide a recommendation to the Board whether the financial report should be approved, based on review of the financial statements, note disclosures and other information.
- Review the other sections of the Annual Report before its release and consider whether the information is understandable and consistent with committee members' knowledge about the entity and its operations, and is unbiased.
- Review management's process for ensuring that information contained in analyst briefings, investor presentations and press announcements is consistent with ASX released financial information, and is balanced and transparent.

3.2 External Audit

- Assess the quality and effectiveness of the audit conducted and evaluate performance of the auditor.
- Provide a recommendation to the Board on the selection, appointment, re- appointment or replacement of the external auditor and rotation of the engagement partner.
- Review with the external auditor the scope and terms of the audit and the audit fee.
- Review non-audit services provided by the external auditor.
- Review the audit plan for coverage of material risks and financial reporting requirements.
- Monitor and review auditor independence and objectivity.
- Establish ongoing communications with the auditors and ensure access to directors and the Audit and Financial Risk Committee.



- Review reports from the external auditor (including auditor's reports, closing reports and management letters).
- 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 response.

3.3 Internal Audit

- Assess the overall effectiveness and evaluate performance of the Head of Assurance and Compliance and the internal audit function.
- Recommend to the Board the appointment and replacement of the Head of Assurance and Compliance.
- Review and approve the internal audit Charter.
- Review the internal audit structure, independence and access to senior management, the Committee and the Board.
- Review and approve the multi-year strategic internal audit plan to assess whether it addresses the business risks of the Company.
- Review and approve the annual internal audit plan and any significant changes made to the plan.
- Review reports of results of internal audit engagements, audit-related activities, team capability, audit performance and other important matters.
- Enquire of the Head of Assurance and Compliance to determine any scope or budget limitations that may impede the execution of internal audit responsibilities.

3.4 Risk Management, fraud and internal controls

- For financial risks (defined as exposures arising from commodity price, exchange rate and interest rate volatility, and credit and liquidity risk):
 - Consider the impact of the Company's culture on risk management and internal control.
 - Monitor changes in the economic and business environment, including consideration of emerging trends and other factors related to the Company's risk profile.
 - Review the effectiveness of processes for identifying the Company's risks and the appropriateness of the risk management procedures to maintain activities within the Board's risk appetite.
 - Review disclosures in the annual corporate governance statement in relation to the recognition and management of business risks.
 - Review risk disclosures in the annual financial report.
- Consider the adequacy and effectiveness of the internal control and financial risk management framework by reviewing reports from management, internal audit and external audit, and by monitoring management responses and actions to correct any noted deficiencies
- Understand the processes management has implemented for managing insurable risks and, if applicable, self-insurance, including assessing the adequacy of insurance cover.
- Review the business continuity planning process and be satisfied that material financial risks are identified and appropriate business continuity plans are in place.
- Review management's anti-fraud/corruption strategies and programmes.



- Enquire of management and the external auditor regarding their assessments of the risk of material misstatement in the financial report due to fraud.
- Enquire of management, the internal auditor and the external auditor whether they are aware of any actual, suspected or alleged fraud or corruption affecting the entity and how they responded to such instances.

3.5 Compliance and ethics

- Consider the impact of the entity's culture on compliance processes.
- Monitor the impact of changes in key laws, regulations, internal policies and Accounting Standards affecting the entity's operations.
- Review the effectiveness of the entity's systems, policies and practices that relate to compliance with laws, regulations, internal policies and Accounting Standards, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Obtain regular updates from management and the Head of Assurance and Compliance about compliance and ethical matters that may have a material impact on the entity's financial statements, strategy, operations or reputation, including material breaches of laws, regulations, standards and company policies.
- Review and monitor related party transactions.
- Review processes and procedures designed to ensure compliance with the ASX Listing Rules on continuous disclosure.
- Review and, where applicable, approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution.
- Review the entity's process for communicating the Code of Conduct to staff and assess the effectiveness of, and compliance with the Code.
- Discuss with management whether all regulatory compliance matters of the entity have been considered in the preparation of the financial statements, such as compliance with Accounting Standards and the requirement for the financial statements to reflect a 'true and fair' view.

3.6 Other responsibilities

Perform other activities related to this Charter as requested by the Board.



4.0 MEMBERSHIP

The Audit and Financial Risk Committee will consist of at least three non- executive members of the Board of directors, the majority being independent.

The Board will appoint Audit and Financial Risk Committee members and the Audit and Financial Risk Committee chair who will be independent and not the chair of the Board.

In addition to the non-executive members of the Board of directors, the Committee will from time to time have Independent Committee Members.

Composition of the Committee will be reviewed annually by the Board to ensure the appropriate balance of skills, knowledge and experience.

Each Audit and Financial Risk Committee member must be financially literate. At least one member must have accounting or related financial expertise.

The Head of Assurance and Compliance will be the Secretary of this Committee.



5.0 MEETINGS

The Audit and Financial Risk Committee will meet at least three times a year or more frequently as necessary.

A quorum for a committee meeting will be a majority of committee members. An agenda and meeting papers will be prepared and provided in advance to members, along with appropriate briefing materials.

Minutes of meetings will be prepared and circulated to Audit and Financial Risk Committee members and all Board members.



6.0 MEETING ATTENDANCE BY NON MEMBERS

All directors may attend Committee meetings, subject to exclusion as deemed appropriate by the Committee Chair from time to time.

The MD, CFO, Head of Assurance and Compliance shall normally be invited to attend Committee meetings. The external auditor is usually invited to attend all meetings of the Committee. The Committee may ask management to present at Committee meetings on issues relevant to the Committee's duties and responsibilities.

The Committee should meet privately with the following persons or parties at least annually in separate sessions to discuss any matters that the committee or these parties believe should be discussed privately with the committee:

- Head of Assurance and Compliance; and
- External auditor.



7.0 REPORTING

The Committee will report regularly to the Board about Audit and Financial Risk Committee activities and make appropriate recommendations.



8.0 REVIEW

The Committee will conduct an annual review of its performance and effectiveness. This review process will include a review of the terms of this Charter.