

## Audit and Risk Management Committee Charter

### 1 Purpose

The purpose of the Audit and Risk Management Committee is to:

- Provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities, as well as advise on the modification and maintenance of the Company's financial reporting, internal control structure, risk management systems, external audit functions, and appropriate ethical standards for the management of the Company;
- Provide a formal forum for communication between the Board, auditors and senior management;
- Improve the effectiveness of the external audit function and the communication between the Board and the external auditors and evaluate the independence of the auditors;
- Review the processes in place for the identification, management and reporting of business risk and review the findings reported; and
- Monitor the processes which are undertaken by management and auditors.

In relation to audit the Committee will:

- oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information;
- review the effectiveness of the company's internal financial control;
- ensure an independent audit process;
- recommend the appointment of the external auditor;
- assess the performance of the external auditor;
- oversee the Company's compliance with acts, regulations and its own Code of Conduct in relation to financial reporting; and
- report to the Board.

In relation to risk management the Committee will:

- identify, analyse and assess internal and external business risks in the context of the Company's business strategies;
- establish appropriate levels of acceptable business risk;
- establish and review risk management and mitigation strategies;
- monitor the integrity and effectiveness of internal controls and reporting systems;
- report to the Board on the level of risk exposure and effectiveness of the risk management policy;
- review cover and scope of Company insurances; and
- observe the recommendations of the ASX Corporate Governance Guideline on risk management and internal control.

## 2 Membership

The Committee shall be:

- Appointed by the Board and comprise of at least three directors;
- Members shall be non-executive and independent directors who are financially literate;
- The Chairman of the Committee shall have leadership experience and strong finance, accounting and business background who is not the Chairman of the Board of Directors; and
- The Company Secretary shall be appointed secretary of the Committee.

The Audit and Risk Management Committee currently comprises the following members:

- Ross Kestel
- Mark Okeby
- James Mactier
- Fiona Morgan

Mr Kestel is appointed as the Chairman of the Committee, given his qualifications as a Chartered Accountant.

## 3 Meetings

The Committee shall meet at least twice a year (immediately prior to the completion of the annual report and the half-yearly report) with the auditors and appropriate members of management. The purpose of these meetings shall be to:

- Review and if necessary have input into external audit plans.
- Review and approve the annual and half-year financial reports.
- Update the external audit plans.
- Review the risk management procedures implemented by management.

The Committee may also meet in private session as and when required to assess management's effectiveness.

A notice of each meeting confirming the date, time and venue together with the agenda and Committee papers shall be forwarded to each member of the Committee at least three business days prior to the date of the meeting.

A quorum shall comprise any two Committee members. In the absence of the Committee Chairman, the members shall elect one of their number as Chairman for that meeting.

The Committee may invite any member of management, the external audit engagement partner or other individual to attend meetings of the Committee.

At meetings held to consider half-year and full year reports, the external audit engagement partner will be invited to present his findings, comments and suggestions resulting from the audit work performed.

All directors, regardless of whether they are members of the Committee, are invited to attend the meetings and will be provided with copies of the Committee papers.

## 4 Responsibilities

The Committee shall consider any matters relating to the financial affairs, corporate governance and external audit of the Company and its controlled entities that it considers necessary. The Committee shall ensure it understands the Company's structure, controls and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

The role of the Committee is as follows:

### 4.1 *Financial Reporting*

The primary responsibility of the Audit and Risk Management Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board and it does this by:

- Reviewing the annual and half-yearly financial statements and other financial information distributed externally;
- Reviewing significant accounting policies applied in financial reporting to ensure appropriateness for the organisation and compliance with accounting standards; and
- Monitoring the procedures in place to ensure that the Company is in compliance with all legislative reporting requirements.

### 4.2 *Assessment of accounting, financial and internal controls*

- Review the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, report and manage business risk;
- Oversee risk management strategies in relation to currency hedging, debt management, capital management, cash management, investments and insurance; and
- Review declarations from management on compliance with statutory responsibilities.

### 4.3 *Risk Management*

ASX Corporate Governance Principles and Recommendations provide fundamental principles and recommendations for a corporate governance framework.

In accordance with Principle 7: Recognise and Manage Risk "companies should establish a sound system of risk oversight and management and internal control."

- The Board has charged the Committee with the responsibility to manage the introduction and ongoing discharge of the risk management system across all Company activities and to this end the Committee: Reviews the Company's policies on risk oversight and management and satisfies itself that management has developed and implemented a sound system of risk management and internal control; and
- In consultation with the external auditor reviews the need for an internal audit function. The Committee will determine the extent the external auditor has reviewed the internal controls of the Company and the appropriateness of this review as to whether there is a need for an internal control function.

The Committee takes ultimate responsibility to ensure the development and co-ordination of the risk management activities within the Company and to be the driving force in promoting the culture of risk management.

The Committee will facilitate the introduction and ongoing discharge of risk management into key areas of the Company's activities whilst the responsibility for implementation of control strategies and follow up remains with management. The key tasks of the Committee will include:

- The development of a risk management policy and methodology for the Company to be endorsed by Board. The Committee shall define and document its policy for risk management, including objectives for, and its commitment to, risk management;
- To ensure appropriate management accountability for risk management exists as well as ensuring that appropriate systems and control procedures are established;
- Monitoring the procedures in place to ensure that the Company is in compliance with all legislative reporting requirements; and
- Reviewing declarations from management on compliance with statutory responsibilities.

The Company recognises that it has exposure to economic, environmental and social sustainability risks which are managed through a series of internal and publicly available policies, including but not limited to the Board Charter and the Code of Business Conduct.

#### **4.5 Audit**

- Make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;
- Approve the audit fee and terms of engagement of the external auditors;
- Review external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Review the performance and independence of the external auditor

A Committee member or a delegated senior member of management can approve all audit and non-audit services provided by the external auditors other than in the instance where the fees fall outside budget parameters. In this instance, full audit Committee approval must be received for such a transaction.

#### **Internal Audit Function**

The Company does not currently have an internal audit function. The Committee liaises with management and the external auditors to continually improve the effectiveness of its internal control processes.

The Committee will recommend the establishment of an internal audit function when the scale of activity by the Company warrants its establishment.

#### **Review of Key Reports**

The Committee shall review the annual report and half-year financial report prior to the filing of these with the ASX and distribution to the shareholders in the case of the annual report. The Committee is

responsible for making the necessary recommendations to the Board for the approval of these documents.

The Committee shall discuss the results of the audit of the annual report, the half-year review and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards. It will be the decision of the Committee as to how they report the outcomes of these findings to the Board.

The Committee shall review all representation letters signed by management including the declaration from the Chief Executive Officer and Chief Financial Officer on compliance with statutory responsibilities to ensure that the information provided is complete and appropriate.

#### **Other duties**

The Committee is responsible for organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The Committee should advise the Board as to whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty. Advising the Board the Committee is responsible for reviewing reports on any major defalcations, frauds and thefts from the Company.

#### **5 Authority**

The Audit and Risk Management Committee shall have the authority to seek any information it requires from any officer or employee of the Company and such officers or employees shall be instructed by the Board to respond to such enquiries. The Committee is authorised to take such independent professional advice as it considers necessary.

#### **6 Reporting**

The Chairman of the Audit and Risk Management Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting. The minutes of all Committee meetings shall be circulated to members of the Board.

#### **7 Performance**

The Board will assess the performance of the Committee on an annual basis.