

## 1. Introduction

This charter sets out the role, composition, authority, responsibilities and operation of the Audit & Risk Committee (the **Committee**).

Meetings and proceedings of the Committee will be governed by the provisions of this Charter unless the provisions of the Company's Constitution relating to meetings and proceedings of the Board are inconsistent with this Charter in which case the Constitution will prevail.

## 2. Powers

The Committee may have unrestricted access to management, all Company records, internal audit and the external auditors to fulfil its purpose and undertake its duties.

## 3. Role

The role of the Committee is to:

- assist the Board in fulfilling its oversight of the reliability and integrity of financial management, accounting policies, asset management and financial reporting and disclosure practices;
- advise the Board on the matter of internal control including financial statements, due diligence, financial systems integrity and risk management;
- establish and maintain processes to ensure that there is:
  - compliance with all applicable laws, regulations and Company policies; and
  - an adequate system of internal control, risk management and safeguard of assets;
- advise the Board on appropriate ethical standards for the management of the Company;
- oversee the relationship, appointment and work of the external and (if relevant) the internal auditors;
- recommend to the Board and shareholders the termination of the external auditor's appointment where appropriate;
- recommend improvements to the correlation between financial and non-financial information and reports; and
- approve the terms and fees for engagement of the external auditor.

#### **4. Responsibilities**

##### **4.1 External Reporting**

The role of the Committee is to:

- review the appropriateness and integrity of the accounting principles adopted by management in the composition and presentation of financial reports including whether the financial disclosures made by management accurately portray the Company's financial condition, plans and long-term commitments;
- oversee the financial reports and the results of external audit of these reports;
- ask the external auditors for an independent judgement about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the Company;
- review the Company's annual financial statements including whether they are complete and consistent with appropriate accounting standards and recommending such statements to the Board;
- review and monitor the external and (if relevant) internal audit and risk management and compliance programs;
- review documents and reports to regulators and make recommendations to the Board on their approval or amendment;
- assess the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur, and assess the internal control systems covering information releases which have the potential to adversely reflect on the Company's conduct;
- review the completeness and accuracy of the Company's main corporate governance practices as required by the ASX Listing Rules; and
- having regard to the above, recommend to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of those statements.

The management of the Company is responsible for:

- the preparation, presentation and integrity of the Company's financial statements and reports;
- maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations; and
- development and administration for the Company's Risk Management and Compliance regime.

The external auditor is responsible for planning and carrying out a proper audit of the Company's annual financial reports and the Company's half yearly financial reports.

#### **4.2 Internal Control and Risk Management**

The role of the Committee is to:

- review a risk profile which describes the material risks facing the Company (including financial and non-financial matters);
- regularly review and update the risk profile;
- determine that key risk areas (outlined below) are being adequately managed:
  - non-compliance with laws, regulations, standards and best practice guidelines (e.g. environmental and industrial relations laws);
  - important judgements and accounting estimates;
  - litigation and claims;
  - fraud and theft; and
  - relevant business risks not dealt with by other Board committees.
- evaluate the independence of non-executive directors and the external auditor;
- ensure that effective risk management systems are in place and that macro risks are reported to the Board at least annually;
- receive from management reports relating to suspected and actual fraud, thefts and breaches of law;
- examine the effectiveness of the internal control system with management, internal (if relevant) and external auditors;
- evaluate the effectiveness of internal controls and systems by obtaining reports and holding meetings as appropriate with KMP, auditors and compliance staff;
- assess existing controls management has in place for unusual transactions or transactions with more than an accepted level of risk;
- assess the effectiveness of and compliance with the Code of Ethical Conduct; and
- meet periodically with key management, internal (if relevant) and external auditors and compliance staff to understand the Company's control environment.

#### **4.3 Related Party Transactions**

The Committee should review, monitor and assess related party transactions and report instances to the Board.

#### 4.4 External Audit

The role of the Committee is to:

- make recommendations to the Board on the appointment, remuneration, effectiveness and independence of the external auditor;
- ensure that recommendations made by management to replace the external auditor are carefully evaluated and reported to the Board before the Board makes a final decision;
- review the external auditor's fee and be satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's agreed fee;
- review the terms of engagement of the external audit before the start of each audit;
- invite the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- review the scope of the external audit and any additional procedures with the external auditor periodically;
- review with management and the external auditor, the financial report to be included in the annual report including:
  - the external auditor's responsibilities under generally accepted auditing standards;
  - significant accounting policies;
  - management judgements and accounting estimates; and
  - adjustments arising from the audit;
- note the external auditor's judgements about the quality, and acceptability of accounting principles as applied in the financial report;
- review the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations;
- prepare or consider any report or other disclosures to be included in the Company's annual report or other communications to shareholders on the relationships between the external auditor and the Company;
- enquire of the external auditor as to any specific points of divergence with management;
- monitor and examine management's response to the external auditor's findings and recommendations;
- review all representation letters signed by management and confirm with management that all information provided is complete and appropriate; and
- meet with the external auditor, without having management present, at least once each year.

#### **4.5 Internal Audit (if, and when applicable)**

The Committee shall develop internal audit plans and processes appropriate for the size and complexity of the Company.

The Committee oversees the scope of internal audit activities and, where relevant, has access to the internal audit function without management present if requested.

#### **4.6 Annual Review of External Auditor**

In relation to the external auditor, the Committee shall on an annual basis:

- require the external auditor to:
  - submit to the Committee a formal written statement delineating all relationships between the auditor and the Company or any of its subsidiaries;
  - actively engage in discussions with the Committee concerning any relationships or services that may compromise the objectivity and independence of the external auditor;
- consider whether the external auditor's provision of non-audit services to the Company is compatible with maintaining independence of the external auditor;
- submit a formal written report to the Board describing any non-audit services rendered by the external auditor during the most recent financial year, the fees paid for those non-audit services in aggregate and by each service, and explaining why the provision of those non-audit services is compatible with the independence of the external auditor;
- if applicable, recommend that the Board of Directors take appropriate action in response to the Committee's report to satisfy itself of the external auditor's independence; and
- consider whether to recommend to shareholders that the external auditor's appointment be retained or terminated.

#### **5. Delegation**

Each member of the Committee is entitled to rely on information or professional or expert advice, given or prepared by:

- an employee of the Company whom the member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- a professional adviser or expert in relation to matters that the member believes on reasonable grounds to be within the person's professional or expert competence;
- another director or officer of the Company in relation to matters within the director's or officer's authority; or
- a committee of directors on which the member did not serve in relation to matters within the authority of the Committee.

## **6. Composition**

The Committee shall comprise of no less than two members, all of whom are non-executive directors. A majority of members of the Committee must be independent directors. The Committee will also have an independent chair who is not the chair of the Board. The Company Secretary will act as secretary to the Committee.

Each member of the Committee should be financially literate and able to read and understand financial statements.

Additionally, at least one member of the Committee should have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters).

At least one member should have an understanding of the industry in which the Company operates.

The Board shall elect both the chair and the members of the Committee and review such membership at times considered appropriate, including so as to ensure the Committee is of sufficient size, independence and technical expertise to discharge its mandate effectively.

The Committee will review its performance periodically.

## **7. Meetings**

The Committee shall meet as often as is required to perform its functions. A quorum shall consist of no less than two members of the Committee. Any Board member who is not a member of the Committee may attend meetings of the Committee. The external auditor must attend a meeting of the Committee when requested by the Committee. The Committee may request management (including the CEO/MD) and/or others (including the CFO) to attend Committee meetings by invitation and provide such input and advice as required.

Information sent to the Committee will be forwarded on a regular basis to Committee members and copied to other Board members. The chair of the Committee shall determine, in consultation with management, the external auditor and Committee members, the agenda for each meeting of the Committee. Any Board member may require a matter to be put on the agenda for a Committee meeting for consideration.

The Committee must keep minute books in which it records the proceedings and resolutions of its meetings. The minutes of a Committee meeting must be circulated to Board members in a timely manner and should ordinarily be included in the papers for the next full board meeting after each Committee meeting.

Resolutions of the Committee may be made at a meeting of the Committee; or where it is impractical to convene a meeting, by circular resolution signed by all Committee members.

## **8. Authority**

The Committee may conduct or authorise investigations into any matter within its scope of responsibility or matters delegated by the Board. The Committee shall have the authority necessary and appropriate to enable it to discharge its duties and responsibilities, including but not limited to:

- select, retain, and terminate external counsel, accountants or other experts as it deems appropriate and at the cost of the Company;
- approve the fees and other retention terms of such counsel, accountants or other experts;
- seek the information and assistance it requires from employees or agents of the Company or external parties (without management presence); and
- meet with management, external auditors, or external counsel as required,

without seeking approval of the Board or management.

## **9. Reporting to the Board**

The Committee must report to the Board in relation to all matters relevant to the Committee's role and responsibilities including but not limited to:

- an assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- an assessment of the management processes which support external reporting;
- procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- recommendations for the appointment or, if necessary, the removal of the external auditor;
- an assessment of the performance and independence of the external auditors, including whether independence is maintained having regard to provision of non-audit services;
- an assessment of the performance and objectivity of the internal audit function;
- the results of the Committee's review of risk management and internal compliance and control systems; and
- recommendations for the appointment, or if necessary, the dismissal of the head of internal audit (if relevant).

**10. Miscellaneous**

The Committee shall on a regular basis review its Charter to determine its adequacy for current circumstances and recommend to the Board the formal adoption of the revised charter for future operations of the Committee.

The Committee's Charter will be made publicly available.

Approved by the Audit and Risk Committee: **13 February 2019**

**Document Control**

Document Control No.	Document Date	Review / Amended	Board Approval Date	Responsible Person
EAS 2 Audit & Risk Committee Charter		Reviewed		
EAS 2 Audit & Risk Committee Charter		Amended	February 2017	Geoff Robinson
EAS 2 Audit & Risk Committee Charter Feb 19 Final	13 February 2019	Amended	13 February 2019	Mertons