

## **2. AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER**

### **1. INTRODUCTION**

The Board Charter states that the Board is responsible for ensuring that:

- Reporting on the financial and other performance indicators for the Company meets all applicable legislative and accounting standards;
- The Company's control and accountability systems are robust;
- The Company identifies and monitors major risks as well as reviewing and ratifying systems of risk management, and internal compliance and control;
- Governance policies of the Company comply with all relevant legislation.

The Audit and Risk Management Committee has been established as a permanent committee to assist the Board in these matters and advise it where appropriate. This charter sets out the responsibilities delegated to the committee and the manner of its operation and will be reviewed annually.

### **2. STRUCTURE AND OPERATION OF THE COMMITTEE**

The Board will appoint the committee in line with following requirements:

- Members shall be proposed by the Chairperson and approved by the Board;
- The committee will consist only of non-executive directors;
- The committee will consist of a minimum of three members, the majority of which are Independent Directors. The definition of independent is published on the company website in the Director Independence Policy;
- Be chaired by a non-executive Director, who is not Chairperson of the Board;
- All members of the committee will be financially literate;
- At least one member will have financial expertise, i.e. be either a qualified accountant or other financial professional with expertise in financial and accounting matters.

The CEO, Company Secretary, Company's external auditors and invited senior executives shall attend meetings as required.

The committee shall have the authority to seek any information it requires from any employee of the Company or its subsidiaries and all employees are required to co-operate in assisting the committee in its work.

In all matters, the committee has the power to access professional advice from inside the company as well as appoint external advisers. Before appointing outside advisers, the committee will notify the Chairperson of the Board.

## **2.1. Meetings**

The committee will meet at least twice a year and more often if required. In order to facilitate making recommendations to the Board, meetings should be held:

- At the planning stage of the audit;
- Before the issue of the half-yearly profit announcement;
- Before the issue of the final profit announcement;
- Prior to the Board meeting approving the Annual Report and Financial Accounts.

## **3. FINANCIAL AND AUDIT RESPONSIBILITIES**

The committee shall consider any matters relating to the financial affairs of the Company and its subsidiary companies and to the Company's external audit that it considers desirable. In addition the committee shall examine any matter referred to it by the Board.

### **3.1. Financial and Audit Duties**

The committee shall:

- Review the processes of the Company to ensure any financial statements approved by the Board are correct, complete and timely;
- Monitor compliance with the Corporations Law, Stock Exchange listing rules, Australian Taxation Office, Australian Securities and Investments Commission and other matters outstanding with the auditors;
- Monitor relationships with the Company's bankers and financiers including compliance with any lending terms or debt covenants in regards to loans, debt or interest paying securities issued by the Company or its subsidiaries;
- Review and test the adequacy of operating and accounting controls, including procedures and resources;
- In conjunctions with the Chief Financial Officer, determine policies regarding interest risk management and overseas currency exposures;
- Be informed of any changes in Company accounting polices and impact on financial accounts;
- Review information derived from the audit and management responses;
- Review the minutes of audit committees of overseas operations;
- Monitor changes in accounting standards and related legislation;
- Review and recommend to the Board for approval any significant debt transactions, including terms and conditions.

### **3.2. External Auditor Duties**

On an annual basis, the committee shall

- Liaise with external auditors on behalf of the Board;
- Review the selection, appointment, removal and compensation of external auditors;

- Approve the appointment and compensation of external auditors for any role, other than their role as auditors;
- Report to the Board on the performance and independence of the external auditors;
- Review the requirement for and appropriateness of any rotation of external audit partners;
- Review the annual audit plan, ensuring no unjustified restrictions are placed on the auditors and that it adequately tests internal controls and procedures;
- Be apprised of any plans to hire audit firm personnel to fill senior positions in the Company.

#### **4. RISK MANAGEMENT RESPONSIBILITIES**

The Board Charter requires the CEO will implement all necessary risk management systems and will submit a risk report to each Board meeting, notifying directors of any issue of concern as well as strategies to mitigate those risks.

The Audit and Risk Management Committee is delegated to undertake on-going detailed assessment of risk management processes, legal compliance and internal compliance and control and report its assessments to the Board.

##### **4.1. Compliance Duties**

The committee shall:

- Review policies and test compliance on sensitive issues or practices such as ethics, environment, occupational health and safety;
- Review compliance and be informed of any outstanding matters regarding:
  - Government regulations;
  - Any other regulatory bodies in countries where the Company operates.

##### **4.2. Risk Management Duties**

The committee shall:

- Ensure the establishment and regular review of the risk profile of the Company including the review of any material financial or non-financial risks;
- Review the adequacy of business continuity and disaster recovery plans;
- Review the adequacy of crisis management plans;
- Test the adequacy of risk management controls;
- Review adequacy of insurance coverage;
- Periodically assess the requirement for the establishment of an internal audit function.

#### **5. REPORTING ISSUES**

##### **5.1. External Reporting**

In line with ASX Corporate Governance Principles and Recommendations, the committee shall:

- Ensure that the committee's charter is published on the website;

- Ensure that committee member composition and skills of committee members and any other relevant facts, including attendance at meetings, shall be disclosed as part of the Company's annual report;
- Where there has been a change or reappointment of the external auditor, summarise the procedures undertaken in the process;
- Summarise the Company's risk management policy and internal compliance and control systems for publication on the website.

## **5.2. Signing of Accounts**

In accordance with ASX Corporate Governance Principles and Recommendations, the committee will ensure that:

- The CEO and the CFO state in writing to the Board that the Company's interim and annual financial reports present a true and fair view in all material aspects of the Company's financial condition, and operational results are in accordance with the relevant accounting standards;
- The CEO and the CFO will state in writing to the Board that the above statement regarding interim and annual financial reports:
  - Is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;
  - The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects;
- The wording of any such declarations are acceptable to the external auditors;
- The declarations are reported in line with the ASX Principles.