



## AUDIT AND RISK COMMITTEE CHARTER

### Objective

To assist the Board in the effective discharge of its responsibility to:

- independently verify and safeguard the integrity of the group's financial reporting;
- oversee all material capital management financing and treasury risk management proposals;
- actively promote ethical and responsible decision-making;
- oversee the group's compliance with all applicable laws, regulations, standards and codes;
- establish and maintain a sound system of risk oversight and management and internal control and ensure that effective policies and procedures are implemented and maintained; and
- oversee the appointment, reward and performance of both the external and internal audit functions.

### Authority

The Audit and Risk Committee (the **Committee**) is constituted and delegated functions by the Board. The Committee's functions and powers are as set out in this Charter or otherwise delegated to it by the Board, in accordance with the Company's Constitution.

Save as specifically provided to the contrary in this Charter, the Committee's role is to review and make recommendations to the Board. It has no executive power or management function.

The Board retains ultimate responsibility for financial and risk oversight.

### Composition

The Committee must have at least three but no more than five members, and all the members must be independent non-executive directors. Independence is given the same meaning as in the Board Charter.

The Committee members must be financially literate and:

- at least one must have relevant financial expertise or experience; and
- at least one should have relevant risk management expertise or experience.

The Chairman and members of the Committee will be appointed by the Board, and the Board may remove or replace a member of the Committee. The Chairman of the Committee must not be the Board Chairman. If a member of the Committee ceases to be an independent non-executive director of the Company, that member ceases to be a member of the Committee.

## **Responsibilities and duties**

The Committee's primary responsibility is to oversee and make recommendations to the Board on the following matters:

- the annual and half yearly financial reports prepared for the group including the accounting policies applied in preparing those reports;
- the scope of the audit programs of the Internal and External Auditors and any material issues arising from the audits;
- the processes used by management to monitor and ensure compliance with laws, regulations, ethical guidelines and other requirements relating to the group's external reporting;
- the appointment or removal of the Internal and External Auditors and, on an annual basis, assessing their performance and independence;
- the clear standards of ethical behaviour required of directors and key executives and encourage observance of those standards; and
- maintaining a sound system of risk oversight and management and internal control which:
  - identifies, assesses, manages and monitors risk; and
  - informs investors of material changes to the Company's risk profile.

The duties of the Committee are set out below.

### ***Financial reporting***

The Committee will oversee the Company's system of financial reporting with a view to safeguarding its integrity. Its responsibilities in this capacity include:

- evaluating (at least annually) the appropriateness of, and recommending changes (where necessary) to, the accounting policies and practices of the group;
- reviewing all annual and half yearly financial reports to be issued by the Company to the market prior to the Board authorising their release, to ensure their integrity and compliance with statutory and contractual requirements, and in doing so considering:
  - the appropriateness of accounting policies being used;
  - whether the reports have been prepared in accordance with relevant accounting principles and standards;
  - the methods used to account for significant unusual transactions or transactions for which there is no specific accounting standard;
  - significant estimates, assumptions and judgements made in the financial reports;
  - the scope and appropriateness of the disclosures made; and
  - statutory requirements and contractual arrangements;
- reviewing reports from management, the External Auditors and/or Internal Auditor on the issues referred to in the previous paragraph and making recommendations on specific actions or decisions (including the formal adoption of the financial reports) the Board should consider;
- reviewing and recommending to the Board changes to the Company's Group Treasury Policy to ensure it is aligned to best practice and monitoring compliance;

- reviewing the annual and half yearly declarations from the Chief Executive Officer and Chief Financial Officer on compliance of the financial statements with the statutory requirements and in accordance with Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations; and
- undertaking special investigations into financial reporting matters requested by the Board.

### ***Internal audit***

The Committee will monitor the activities and effectiveness of the internal audit function. Its responsibilities include:

- on an annual basis, approving the internal audit plan (including the budget for the internal audit function);
- reviewing reports from the Internal Auditor on major issues arising from the internal audit program and reporting to the Board on those issues, as appropriate;
- monitoring the progress of the Internal Auditor against the internal audit plan and objectives;
- annually appraising the quality and objectivity of the internal audit function (including the desirability of tendering that function) and making recommendations accordingly to the Board. In the event the Board decides to tender the internal audit function, the Committee will manage the tender process and recommend its preferred tenderer to the Board;
- if outsourced, agreeing the terms of engagement with the Internal Auditor including their fees;
- ensuring that the internal audit function, if outsourced, is provided by a firm other than the external audit firm;
- through the Chairman, approving the appointment and/or replacement, as necessary of the head of the internal audit function; and
- through the Chief Financial Officer and in consultation with the Chairman, reviewing the performance and approving the remuneration of the individuals in the internal audit function.

The Internal Auditor (whether a Company employee (as head of the internal audit function) and/or an external contractor) will have a direct reporting line on internal audit matters to the Chief Financial Officer and will also maintain a separate reporting line to the Committee in order to facilitate full and frank exchange of information between the Internal Auditor and the Committee.

### ***External audit***

The Committee will monitor the activities and performance of the External Auditors. Its responsibilities include:

- on an annual basis, approving the audit plan of the External Auditors;
- reviewing the annual and half yearly financial reports with the External Auditors and reporting to the Board on those financial reports, and any issues arising out of them, as appropriate;
- agreeing the terms of engagement with the External Auditors, including their fees;
- monitoring the progress of the External Auditors against the audit plan;

- annually appraising the quality of the audit work and the external audit function (including the desirability of tendering that function) and making recommendations accordingly to the Board. In the event that the Board decides to tender the external audit function the Committee will manage the tender process and recommend its preferred tenderer to the Board; and
- establishing guidelines for the selection and appointment of the External Auditor and the rotation of the principal external audit partner (and overseeing such rotation).

### ***Corporate governance***

The Committee is responsible for reviewing and recommending to the Board the Corporate Governance Statement to be contained in the Company's Annual Report.

### ***Risk and compliance***

The Committee is responsible for overseeing and reviewing the Company's financial and risk management compliance and internal control framework including:

- ongoing assessment of the Company's risk profile including recommending to the Board acceptable levels of risk;
- assessing and monitoring, in consultation with the Internal Auditor, procedures for identifying strategic and business risks and controlling their financial impact on the group and appropriate risk management and internal control systems to ensure that risk is reduced to or managed at levels determined to be acceptable by the Board;
- initiating and monitoring special investigations into areas of corporate risk and break-downs in internal control;
- evaluating exposure to fraud including reviewing reports from management on any defalcations, frauds, thefts or losses, and the action taken by management to prevent any recurrence;
- assessing and monitoring the adequacy of the Company's policies relating to financial reporting and controls, including compliance with laws, accounting standards, regulations and ethical guidelines;
- reviewing internal and external audit findings to ensure that any reported major deficiencies or weaknesses in controls have been identified, and appropriate and timely corrective action is taken by management;
- reviewing the prudence of gearing levels, interest cover and compliance with banking covenants;
- reviewing the nature and level of the group's insurance coverage and recommending changes where necessary;
- reviewing and evaluating all material capital management financing and treasury risk management proposals and making recommendations to the Board;
- monitoring compliance with the Company's internal policies and procedures (including the Code of Conduct, Share Trading Policy and Disclosure Policy), investigating allegations of any breach of such policies and procedures and reviewing and recommending changes to the Board, where necessary; and
- reviewing and monitoring the propriety of related party transactions and considering the adequacy of disclosure of those transactions in the Company's financial statements.

The Committee may consider any other matters relating to corporate governance, audit and risk management that it considers desirable. In addition, the Committee shall examine any other matters referred to it by the Board.

### **Provision of non-audit services by External Auditors**

The Committee will require the External Auditors to confirm in writing that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.

In this regard the External Auditors shall not provide services that are considered to be in conflict with the role of the statutory auditor. These services include those where the auditor may ultimately be required to express an opinion on its own work, and in particular:

- bookkeeping or other services relating to the accounting records or financial statements;
- financial information systems design and implementation;
- appraisal or valuation services and fairness opinions;
- actuarial services;
- internal audit functions;
- management functions or human resources;
- broker or dealer, investment adviser or investment banking services; and
- legal services and expert services unrelated to the audit, including corporate finance services in respect of the issue or valuation of the Company's share capital.

The External Auditors may be permitted to provide non-audit services that are not perceived to be in conflict with the role of the auditor where their detailed knowledge of the Group's activities could permit cost and output efficiencies, and provided that the Company may only engage the External Auditors to conduct non-audit services if:

- the prior written approval of both the Chief Financial Officer and the principal external audit partner has been obtained; and
- the annual fees for all non-audit services do not exceed, or are not likely to exceed, 50 per cent of the External Auditors' annual audit fees.

Subject to satisfying the requirements of the above paragraph, the Chief Financial Officer may engage the External Auditors for non-audit services if the fees for the particular engagement will not exceed AUD\$50,000 in a financial year. If the Chief Financial Officer believes the fee for the particular engagement may exceed AUD\$50,000 in a financial year, the Committee Chairman must provide prior approval for any such engagement.

The Committee will:

- recommend to the Board the appropriate disclosure in the Annual Report of the full details of fees paid to the External Auditors including an analysis of non-audit services; and
- provide advice to the Board as to whether the provision of non-audit services to the Company by the External Auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act and has not compromised that independence, together with the reasons upon which that advice is based.

## **Administrative Matters**

### ***Meetings***

The Committee will meet as frequently as required but not less than four times per year.

The regulation of meetings and proceedings of the Committee is governed by the Constitution.

Any Committee member may request the Chairman to convene a Committee meeting.

A quorum is at least two members of the Committee. Should the Chairman be absent from a meeting, the members of the Committee present shall appoint a Chairman for that particular meeting.

A standing invitation is issued to all non-executive directors who are not members of the Committee to attend meetings.

The Chief Executive Officer, Chief Financial Officer, Group Financial Controller, and the Internal and External Auditors will be invited to attend meetings, as required. Other Company executives and advisers, as the Chairman thinks fit, may be invited to attend meetings.

The Company Secretary or his or her delegate will act as Secretary of the Committee and will attend meetings of the Committee, as required.

### ***Agenda***

The Chairman will review the agenda for each meeting prior to its issue. Any Committee member may require business to be included in the agenda provided the Chairman and Secretary have been given prior notice of that business.

The agenda and papers for each Committee meeting will be issued to Committee members and the Chief Executive Officer within a reasonable time prior to that meeting.

### ***Minutes***

The Secretary will prepare the minutes of meetings of the Committee which are to be approved by the Chairman in draft and circulated to all members of the Committee and to the Board. Minutes of meetings will then be confirmed at the next meeting of the Committee and signed by the Chairman.

### ***Advice and access***

The Committee may seek information directly from any employee or external party, including the Internal and External Auditors.

The Committee or any individual Committee member may engage an independent external adviser in relation to any Committee matter, at the expense of the Company. Before the external advice is sought, consent must be obtained from the Chairman of the Committee.

The Chairman of the Committee may determine that any external advice received by an individual Committee member be circulated to the other Directors of the Company.

### ***Reporting***

The Chairman of the Committee will report to the Board at the Board meeting following each Committee meeting, on all matters that should be brought to the attention of the Board and any recommendations requiring Board approval and/or action.

**Review**

The Committee's Charter will be regularly reviewed (at least annually) and the Chairman, following such review, will make recommendations to the Board in relation to the Committee's membership, responsibilities and functions or otherwise (and any amendments deemed desirable to the Charter).

No changes to this Charter may be made without the approval of the Board. After its review each year, this Charter will be distributed by the Company Secretary to all Directors, the Chief Executive Officer, the Chief Financial Officer, Group Financial Controller, and the Internal and External Auditors.

This Charter will be available for viewing by any person on the Company's website.