

# Audit and Financial Risk Committee Charter



## AC – 2015-08

### 1. GENERAL SCOPE AND AUTHORITY

- (a) The Audit and Financial Risk Committee is a committee of the Board. The Charter is subject to review and approval by the Board as required.
- (b) The primary purpose of the Audit and Financial Risk Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:
  - (i) Assisting the Board in carrying out its responsibility to exercise due care, diligence and skill in relation to the Board's reporting of financial information, application of accounting policies, financial management, internal control systems, business policies and procedures, compliance with applicable laws and regulations, and monitoring and controlling of business risks;
  - (ii) Providing the Board with advice and recommendations regarding the ongoing development of financial risk oversight and management policies (covering oversight, risk profile, risk management, compliance and control) that set out the roles and respective accountabilities of the Board, the Audit and Financial Risk Committee and management;
  - (iii) Receiving and reviewing management's recommendations and providing the Board with advice and recommendations regarding the establishment of a financial risk management system and financial risk profile;
  - (iv) Regularly reviewing the Company's financial risk profile (provided by management) having regard to key financial risk, legal and regulatory risk and disclosure reporting;
  - (v) Reviewing internal control and audit functions and their effectiveness;
  - (vi) Reviewing financial statements provided by management for accuracy, adequacy and clarity to ensure they give a true and fair view of the Company's financial position and adhere to accounting standards and policies and legislative requirements;
  - (vii) With respect to the external auditor, approving and recommending policies and procedures for appointing or removing an external auditor and terms of engagement;
  - (viii) Providing a formal forum for communication between the Board, auditors and senior management;
  - (ix) Regularly reviewing and assessing the compliance of the external auditor with policies and procedures, the effectiveness, and independence of the external auditor; and
  - (x) Monitoring the relationship between management and the auditor.
- (c) The Audit and Financial Risk Committee shall have the right to seek any information it considers necessary to fulfil its duties, which includes the right to obtain appropriate external advice at the Company's expense.

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## 2. COMPOSITION

- (a) The Audit and Financial Risk Committee will be appointed by the Board and shall comprise not less than three non-executive directors (unless otherwise determined by the Board), with a majority being independent.
- (b) The Board shall appoint one of the Audit and Financial Risk Committee members, other than the Chair of the Board or Remuneration Committee, to serve as the Audit and Financial Risk Committee Chair. The Chair must be an independent director. The Chair and Audit and Financial Risk Committee membership will be confirmed annually.
- (c) The Board may appoint such additional non-executive Directors to the Audit and Financial Risk Committee or remove and replace members of the Audit and Financial Risk Committee by resolution.

## 3. SECRETARY

- (a) The Company Secretary or their nominee shall be the Secretary of the Audit and Financial Risk Committee, and shall attend meetings of the Audit and Financial Risk Committee as required.
- (b) The Secretary will be responsible for keeping the minutes of meeting of the Audit and Financial Risk Committee and circulating them to Audit and Financial Risk Committee members, other members of the Board, and to the external auditor.
- (c) The Secretary shall distribute supporting papers for each meeting of the Audit and Financial Risk Committee as far in advance as possible, with a minimum 3 business days.

## 4. MEETINGS

- (a) The Audit and Financial Risk Committee will meet at least twice per year and additionally as circumstances may require or as often as the Audit and Financial Risk Committee members deem necessary in order to fulfil their role.
- (b) Meetings are called by the Secretary as directed by the Chairman of the Audit and Financial Risk Committee, or at the request of the Board.
- (c) The external auditors should be given notice of all meetings and have the right to attend and speak.
- (d) A quorum for any Audit and Financial Risk Committee meeting will comprise any two independent non-executive Director Audit and Financial Risk Committee members. In the absence of the Audit and Financial Risk Committee Chairman or appointed delegate, the members shall elect one of their number as Chairman for that meeting.

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- (e) Where deemed appropriate by the Chairman of the Audit and Financial Risk Committee, meetings and subsequent approvals may be held or concluded by way of a circular written resolution or a conference call.
- (f) Decisions will be based on a majority of votes with the Chairman having the casting vote.
- (g) The Audit and Financial Risk Committee may invite any executive management team members or other individuals, including external third parties, to attend meetings of the Audit and Financial Risk Committee, as they consider appropriate.

### 5. ACCESS

- (a) Members of the Audit and Financial Risk Committee have rights of access to the books and records of the Company to enable them to discharge their duties as Audit and Financial Risk Committee members, except where the Board determines that such access would be adverse to the Company's interests.
- (b) The Audit and Financial Risk Committee may consult independent experts to assist it in carrying out its duties and responsibilities. Any costs incurred as a result of the Audit and Financial Risk Committee consulting an independent expert will be borne by the Company.

### 6. DUTIES AND RESPONSIBILITIES

In order to fulfil its responsibilities to the Board, the Audit and Financial Risk Committee shall consider any matters relating to the financial affairs, corporate governance and external auditor of the Company and its controlled entities that it considers necessary. In addition, the Audit and Financial Risk Committee shall examine any other matters referred to it by the Board.

The role of the Audit and Financial Risk Committee is as follows:

#### 6.1. AUDIT

- a) Monitor the need for an internal audit function or for any specific internal audits;
- b) Make recommendations to the Board regarding the appointment of the external auditor based on the recommendations of the Managing Director and the Chief Financial Officer;
- c) Approve the audit fee and terms of engagement of the external auditors based on the recommendations of the Managing Director and the Chief Financial Officer;
- d) Review and approve the annual audit plan;
- e) Review external audit reports to ensure that where major deficiencies or breakdowns in controls of procedures have been identified, appropriate and prompt remedial action is taken by management;
- f) Review the performance of the external auditors;

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- g) Review the type of non-audit work carried out by the external auditors (and the associated fees), to ensure that the conduct of such work does not compromise the independence of the external auditors;
- h) Review the annual declaration of independence from the external auditors;
- i) Initiate and supervise special investigations.

## 6.2. REPORTING

- a) Review significant accounting policies applied in financial reporting to ensure appropriateness for the organisation and compliance with accounting standards;
- b) Review, and recommend to the Board for approval, financial statements and other financial information distributed externally;
- c) Monitor the procedures in place to ensure that the entity is in compliance with the Corporations Act, Stock Exchange Listing Rules and other legislative and reporting requirements;
- d) Review related party transactions and consider the adequacy of disclosure of those transactions in the financial statements.

## 6.3. RISK MANAGEMENT

- a) Ensure the establishment of an appropriate internal control framework, including information systems based on the recommendations of the Managing Director and the Chief Financial Officer;
- b) Review reports on any major defalcations, frauds and thefts from the entity and monitor procedures on fraud prevention;
- c) Ensure that management has put in place a process to identify, manage and report on the major risks facing the business;
- d) Review significant transactions which are not a normal part of the group's business;
- e) Review declarations from management on compliance with statutory responsibilities.

## 6.4. CORPORATE GOVERNANCE

- a) Monitor developments in corporate governance practices;
- b) Benchmark the entity's policies against best practice;
- c) Ensure that policies exist to deal with conflicts of interest;
- d) Review past or proposed transactions between the corporation and members of management or the Board;
- e) Make recommendations on corporate governance standards and practices to the Board;
- f) Review documentation relation to corporate governance on an annual basis eg. Audit and Financial Risk Committee Charter, Board Charter, Corporate Governance Statement, Board Code of Conduct and Directors' Dealing in Securities.

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## 6.5. OTHER

The Audit and Financial Risk Committee shall perform other duties and activities that it and the Board considers appropriate.

Other non-executive Directors of the Board are entitled to attend Audit and Financial Risk Committee meetings and receive copies of papers considered by the Audit and Financial Risk Committee.

## 7. AUTHORITY

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

The Audit and Financial Risk Committee shall have no executive powers with regard to its findings and recommendations.

## 8. REPORTING

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

## 9. PERFORMANCE

The Board will assess the performance of the Audit and Financial Risk Committee on an annual basis.