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# **Audit and Risk Management Committee Charter**

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## 1 Standing rules

The Standing Rules for Committees apply to, and are deemed incorporated into the Charter of the Committee, except insofar as they may conflict with any of its terms.

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## 2 Purpose

- The Committee is established by the Board to assist it and report to it in relation to the matters with which it is charged with responsibility.
- The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.
- It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.
- The Committee has responsibility for reviewing the risk management framework and policies within the Company and monitoring their implementation.

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## 3 Scope of responsibility

The Committee has responsibility for the following:

- ensuring an appropriate reporting structure is in place so as to facilitate a proper review function by the Board
- monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements
- monitoring corporate risk assessment and compliance with internal controls
- overseeing business continuity planning and risk mitigation arrangements
- assessing the objectivity and performance of the internal audit function and considering enhancements
- reviewing reports on any material defalcations, frauds and thefts from the Group
- monitoring compliance with relevant legislative and regulatory requirements
- reviewing significant transactions which are not a normal part of the Group's business
- reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor
- liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with Committee members' information and knowledge and is adequate for shareholder needs
- assessing the adequacy of external reporting for the needs of shareholders
- reviewing management processes supporting external reporting

- reviewing financial statements and other financial information distributed externally
- preparing and recommending for approval by the Board the corporate governance statement for inclusion in the annual report or any other public document
- reviewing 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
- reviewing and monitoring compliance with the Code of Ethics and Values.

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## 4 Powers

- The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it except:
  - for matters relating to the appointment, oversight, remuneration and replacement of the external auditors
  - where and to the extent that (in other respects) it has express delegated authority from the Board.
- The Committee has unrestricted access to management and to internal audit personnel as well as to the external auditors as it may consider appropriate for the proper performance of its function.

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## 5 Composition

The Committee Chairman must not be the Chairman of the Board.

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## 6 Internal control framework

The Company's internal control framework is as follows.

- **Company Secretary**

The Company Secretary is accountable to the Board, through the Chairman, on all corporate governance matters and is responsible for monitoring that the Charter is duly followed and for coordinating the completion and despatch of Board and Committee agenda and briefing materials as well as draft minutes of meetings of the Board and all Committees for approval at the next meeting.

- **Risk Management**

- The Committee oversees the process by which significant business risks are identified in each segment of the Group and strategies are developed to mitigate these risks. The Committee will regularly update the Board with a risk management status report.
- The Committee must approve any action plan instigated. Corrective action is taken as soon as practicable. Major business risks arise from such matters as actions by competitors, changes in government policy and use of information systems.

- The Group Operating Policies & Procedures, which are provided to all staff and with which they are required to comply, contains risk management procedures that aim to address risk management issues including the risk that professional indemnity claims may be made against the Company.
- The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) must each provide a statement to the Board with any financial report to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- **Financial reporting**
  - The external auditors are selected according to criteria set by the Committee which include most significantly:
    - the lack of any current or past connection or association with the Group or with any member of senior management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to the Company and the Group
    - their general reputation for independence and probity and professional standing within the business community
    - their knowledge of the industry within which the Group operates.
  - Audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Company and the Group.
  - An annual budget prepared by management and reviewed and commented on by the Committee is approved by the Board. Actual results, including both profit and loss statement and cashflow statement, are reported on a monthly basis against budget, and revised forecasts for the year are prepared regularly. The Group provides half-yearly financial reports.
  - Price-Sensitive Information, and generally all information reasonably required by an investor to make an informed assessment of the Company and Group's activities and results, must be reported to the ASX in accordance with continuous disclosure requirements which are considered as a standing agenda item at each regular meeting of the Committee as well as of the Board.
  - Each of the CEO and CFO must state in writing to the Board, when providing it with financial reports, that the Company's financial reports:
    - present a true and fair view, in all material respects, of the Company's financial conditions and operational results
    - are in accordance with relevant accounting standards
    - are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
  - Without limiting relevant matters of which the Board should be informed, the CEO is also primarily responsible for:
    - making decisions concerning whether a matter is required to be disclosed in accordance with the Company's continuous disclosure obligations
    - ensuring that the Company complies with those obligations
    - notifying the Board of such matters
    - monitoring and promoting an understanding of compliance within the Group
    - Acting as the contact for media and comment, including analyst briefings and responses to shareholder questions.

- **Quality and integrity of personnel**

The Group's policies are detailed in the Group Operating Policies & Procedures. Written confirmation of compliance with policies is obtained from all staff members. Formal appraisals are conducted at least annually for all employees.

- **Investment appraisal**

The Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal, review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

- **Operating unit controls**

Financial controls and procedures, including information systems controls are detailed in the Group Operating Policies & Procedures.

- **Functional speciality reporting**

The Board has identified a number of key areas which are subject to regular reporting to the Board as detailed in Committee Charters or (as regards, by way of example only, expenditure on entertainment and travel by Directors and senior management) the Group Operating Policies & Procedures.

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## 7 **Audit planning**

The Committee reviews the performance of the external auditors on an annual basis against the following cycle of activity and meetings with the external auditors:

- **During the year**

- discuss the external audit plan
- discuss any significant problems that may be foreseen
- discuss the impact of any proposed changes in accounting policies on the financial statements
- review the nature and impact of any changes in accounting policies adopted by the Group during the year
- review the fees proposed for the audit work to be performed.

- **Prior to announcement of results**

- Review the pro-forma half-yearly and pro-forma preliminary final report prior to lodgement of those documents with the ASX, and any significant adjustments required as a result of the audit.
- Make the necessary recommendation to the Board for the approval of these documents.

- **Half-year and year-end reporting**

- Review the results and findings of the audit, the adequacy of accounting, financial and operating controls, and monitor the implementation of any recommendations made.
- Review the draft financial report and the audit report and make the necessary recommendation to the Board for the approval of the financial report.

- **As required**
  - Organise, review and report on any special reviews or investigations deemed necessary by the Board.

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## 8 Proceedings

- Meetings are held at a minimum two times per year and more often as required.
- The external auditor, the internal auditor, the CEO, the CFO and other employed personnel are invited to attend meetings, or specific parts of meetings, at the discretion of the Committee.
- Business is considered as the Committee may determine, with additional items of business considered as appropriate, according to the following broad agenda (assuming four meetings during the year for a December Financial Year End):
  - **June meeting**
    - review and debriefing in relation to the preparation of the annual report and the activities of the previous year
    - review of reports on certain aspect of any superannuation plan operated by the Group and compliance with relevant laws and regulations
    - review of policies on sensitive issues or practices such as environmental issues
    - meet with the external auditors to discuss the half year audit plan and budget
    - review of enterprise risks facing the Group
    - consideration of internal audit reports arising from activities for the quarter and ensuring appropriate management action to address any internal control weaknesses identified.
  - **August meeting**
    - review of the operation and effectiveness of internal controls
    - consideration and assessment of the performance of financial management
    - consideration and approval of the half-yearly profit announcement in conjunction with the CFO and external auditors
    - review of the results and findings of the half-yearly audit/review
    - consideration of the adequacy of internal financial controls and the possible need for the implementation of new controls in consequence
    - review of the half-year financial statements
    - review of enterprise risks facing the Group
    - consideration of internal audit reports arising from activities for the quarter and ensuring appropriate management action to address any internal control weaknesses identified.

(NB. Disclosing entity lodgement deadline for the Half-Year report is within two months of the end of the half year – Listing Rule 4.2B (and within 75 days of the end of the half year – s320 Corporations Act 2001(Cth).)

- **December meeting**
  - review of business risks facing the Group, and of the Group's business continuity plan, and assessment of the adequacy of internal controls
  - presentation by senior management on the adequacy of systems of internal control
  - consideration of financial issues relevant to the annual report
  - review of the Group's main corporate governance practices and consideration of the content of the corporate governance statement for inclusion in the annual report
  - consideration of internal audit reports arising from activities for the quarter and ensuring appropriate management action to address any internal control weaknesses identified
  - review of Charter and consider plans for the coming year
  - review of draft budget prepared by management for the following year
  - review the assessment of the Committee's performance
  - meet with the external auditors to discuss next year's audit plan and budget.
- **February meeting**
  - review of related party transactions
  - consideration and approval of the pro-forma preliminary final statement
  - review of the results and findings of the annual external audit
  - consideration of matters raised by the external auditors in their management letter and management's response, and of the possible need for implementation of new controls in consequence
  - consideration of the adequacy of internal financial controls and the possible need for the implementation of new controls in consequence
  - review of the financial statements
  - review of enterprise risks facing the Group
  - consideration of internal audit reports arising from activities for the quarter and ensuring appropriate management action to address any internal control weaknesses identified.

(NB. Disclosing entity lodgement deadline for the Annual Report is within three months of the end of the financial year – s319 Corporations Act 2001(Cth) however a Preliminary Final Report is required within 2 months of the end of the financial year – Listing Rule 4.3B.)