

# EUREKA GROUP HOLDINGS LIMITED

## Audit and Risk Committee Charter

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### 1 Purpose and authority

#### 1.1 Purpose

The purpose of this Audit and Risk Committee Charter is to specify the authority delegated to the Audit and Risk Committee (“**Committee**”) by the board of directors of the Company (“**Board**”) and to set out the role, responsibilities, membership and operation of the Committee.

#### 1.2 Authority

The Committee is a committee of the Board established in accordance with the Company’s constitution and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this charter and under any separate resolutions of the Board granted to it from time to time.

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### 2 Role of the Committee

The role of the Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of

- (a) the integrity of the Company’s external financial reporting and financial statements;
- (b) the appointment, remuneration, independence and competence of the Company’s external auditors;
- (c) the performance of the internal and external audit functions and review of their audits;
- (d) the effectiveness of the Company’s system of risk management and internal controls;  
and
- (e) the Company’s systems and procedures for compliance with applicable legal and regulatory requirements.

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### 3 Audit and risk responsibilities

#### 3.1 External reporting

The Committee is responsible for:

- (a) reviewing the appropriateness of the accounting judgements or choices exercised by management in the composition and presentation of financial reports;
- (b) overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (c) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from internal and external auditors;

- (d) reviewing and making recommendations in relation to the adequacy of the Company's corporate reporting processes;
- (e) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the Company of financial and non-financial information
- (f) assessing (before publication) whether external reporting is consistent with the understanding of the Committee members and otherwise provide a true and fair view of, the financial position and performance of the Company;
- (g) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the Company and making recommendations to the Board on their approval or amendment;
- (h) ensuring that a comprehensive process is established to capture issues for the purpose of continuous reporting to ASX;
- (i) ensuring that appropriate risk management and internal control processes are in place to form the basis upon which the Chief Executive Director and CFO make their declarations to the Board under section 295A of the Corporations Act 2001 (Cth) and Principle 4 of the ASX Corporate Governance Principles and Recommendations (Third Edition);
- (j) reviewing the completeness and accuracy of the Company's main corporate governance practices as required by the ASX Listing Rules;
- (k) assessing information from internal and external auditors and independent advisors that affects the quality of financial reports;
- (l) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the Company;
- (m) assessing solvency and the going concern assumption;
- (n) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur; and
- (o) recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

### **3.2 External audit**

The Committee is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (b) making recommendations to the Board on the rotation of the audit engagement partner;
- (c) agreeing the terms of engagement of the external auditor before the start of each audit;
- (d) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;

- (e) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance;
- (f) reviewing the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations;
- (g) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence and, if required, developing policies for Board approval to ensure this does not occur;
- (h) making recommendations to the Board on the removal of the external auditor;
- (i) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (j) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (k) reviewing the scope and adequacy of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (l) raising with the external auditor any specific points of divergence with the Company's management;
- (m) monitoring and examining management's response to the external auditor's findings and recommendations;
- (n) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate; and
- (o) meeting with the external auditor without management present at least once a year.

### **3.3 Internal control and risk management**

The Committee is responsible for:

- (a) preparing a risk profile for approval by the Board which describes the material risks facing the Company including financial and non-financial matters;
- (b) regularly reviewing and updating the risk profile; ensuring that the Company has an effective risk management system and reviewing the risk management system at least annually to ensure that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure those risks remain within the risk appetite set by the Board;
- (c) assessing and ensuring that there are internal controls for determining and managing key risk areas, such as:
  - (i) non-compliance with laws, regulations, standards and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws;
  - (ii) important judgments and accounting estimates;
  - (iii) business licence and accreditation requirements;

- (iv) litigation and claims;
  - (v) fraud and theft;
  - (vi) economic, environmental and social sustainability risks; and
  - (vii) relevant business risks not dealt with by other Board committees;
- (d) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
  - (e) receiving reports concerning the risk implications of new and emerging risks, legislative or regulatory initiatives and changes;
  - (f) conducting investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting;
  - (g) examining and evaluating the effectiveness of the internal controls system with management and auditors and making improvements;
  - (h) encouraging voluntary reporting by employees to the Committee of breaches of internal controls and Company policies, and incidents within the risk areas above;
  - (i) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk, and
  - (j) meeting at least annually with key management, external auditors and compliance staff to understand the Company's control environment and disclose, in relation to each reporting period, whether such a review has taken place.

### **3.4 Related party transactions**

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

## **4 Membership**

### **4.1 Composition and size**

The Committee will consist of:

- (a) only non-executive directors; and
- (b) at least 2 members.

The Board is currently working through a process of renewal which will result in their being sufficient non-executive directors on the Board to allow for this committee to be made up of 3 non-executive directors of whom a majority would be independent directors. Currently the Executive Chair has a standing invitation to attend Committee meetings, due to his accounting qualifications and experience which are relevant to the role of the Committee.

The Company will disclose the relevant qualifications and experience of the members of the

committee.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

#### **4.2 Chair**

The chair of the Committee must be an independent non-executive director who is not the chair of the Board.

The chair of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee chair is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chair for the meeting.

#### **4.3 Technical expertise**

The Committee must be structured so that between them, the members of the Committee should have the accounting and financial expertise and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee's duties effectively.

#### **4.4 Secretary**

The company secretary is the secretary of the Committee.

### **5 Committee meetings and processes**

#### **5.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions in the Company's constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this charter.

The Annual Report for a relevant financial year will disclose the number of times the Committee met throughout that financial year and the individual attendance of each member of the Committee at those meetings.

#### **5.2 Frequency and calling of meetings**

The Committee will meet as frequently as required to undertake its role effectively. The chair must call a meeting of the Committee if requested by any member of the Committee, the external auditor or the chair of the Board.

#### **5.3 Quorum**

2 directors constitute a quorum for meetings of the Committee.

#### **5.4 Attendance by management and advisors**

The Chief Financial Officer is expected to attend each scheduled meeting of the Committee unless the chair advises otherwise, and a standing invitation will be issued to the external auditors.

The Committee chair may also invite directors who are not members of the Committee, other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

## **5.5 Notice, agenda and documents**

The chair of the Committee determines the meeting agenda after appropriate consultation.

The secretary will distribute the notice of meeting, the agenda of items to be discussed and any related documents to all Committee members and other attendees not less than five business days before each proposed meeting of the Committee.

## **5.6 Access to information and advisors**

The chair of the Committee receives all reports between the external auditor and management.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access the Company's documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management (where the committee considers that necessary or appropriate); and
- (d) access and interview management and internal and external auditors (with or without management present).

## **5.7 Minutes**

The secretary will keep minute books to record the proceedings and resolutions of its meetings.

The chair of the Committee, or delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

## **6 Committee's performance evaluation**

The Committee will review its performance at least annually, or earlier if circumstances dictate, and whenever there are major changes to the management structure of the Company.

The performance evaluation will have regard to the extent to which the Company has met its responsibilities in terms of this charter.

Committee members must be available to meet with external bodies if requested to do so in accordance with relevant laws, regulations or prudential standards.

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## **7 Review and publication of charter**

The Committee will review this charter annually to keep it up to date and consistent with the Committee's authority, objectives and responsibilities and report to the Board any changes it considers should be made. The charter may be amended by resolution of the Board.

The charter is available on the Company's website and the key features will be published in the annual report or a link to the governance section of the website provided.

**Reviewed by the Board on 21 August 2017**