



**EUMUNDI GROUP LIMITED**

**AUDIT AND RISK COMMITTEE CHARTER**

As approved by the board of directors on the 11<sup>th</sup> day of September 2003

## **1. PURPOSE OF CHARTER**

- 1.1 The Audit Committee Charter sets out the role, composition, authority, responsibilities and operation of the Audit Committee of the Board of Eumundi Group Limited ("EBG") and all controlled entities ("the EBG Group").
- 1.2 This charter is available to all shareholders of the company upon request.

## **2. DEFINITION AND OBJECTIVE OF THE EBG AUDIT AND RISK COMMITTEE**

- 2.1 The Audit and Risk Committee ("the Committee") is a Committee of the EBG Board ("the Board")
- 2.2 The Committee's primary function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the EBG Group in the areas of:
  - (a) application of accounting policy and reporting of financial information to shareholders, regulators and the general public;
  - (b) establish systems of risk oversight and business risk management and internal and external control systems, including business policies and practices;
  - (c) corporate conduct and business ethics, including Auditor Independence and ongoing compliance with laws and regulations; and
  - (d) Ensuring that investors are informed of material changes to the EBG Group risk profile.
- 2.3 Membership of the Audit and Risk Committee must be disclosed in the Annual Report.

## **3. MEMBERSHIP AND TERM**

- 3.1 The Committee consists of a minimum of two (2) Directors of the Board. All members should be independent, non-executive Directors (so far as is practicable). The term 'independent' for this purpose means that a member may not have any relationship with EBG management or the corporate entity that, in

the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Additionally, in the opinion of the Board, the Director should be free from any interest and any business or other relationship, which could, materially interfere with the Director's ability to act in the best interests of the company.

- 3.2 Committee members will have a working familiarity with basic finance and accounting practices. It is appropriate that members of the Committee have a range of different backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of the EBG Group. At least one member of the Committee should have accounting or related financial management expertise.
- 3.3 Committee members are appointed by the Board.
- 3.4 The term of appointment as a member is for a period of no more than one year, with Committee members generally being eligible for re-appointment for so long as they remain independent Directors of the Board. The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.

#### **4. CHAIRMAN**

- 4.1 The Chairman of the Committee, a non-executive Director other than the Chairman of the Board, is selected by the Board.
- 4.2 Should the Chairman be absent from a meeting and no Acting Chairman has been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chairman for that particular meeting.

#### **5. MEETINGS**

##### **Meetings Other than in Person**

- 5.1 The Committee may conduct meetings without all Committee members being involved in the meeting in the physical presence of one another provided that all Committee members involved in the meeting are able to participate in discussion.

### Frequency of Meetings

- 5.2 As a minimum, the Committee meets three times per annum. The current meeting schedule entails four meetings as detailed in item 5.4 of the charter.
- 5.3 In addition, the Chairman will call a meeting of the Committee if so requested by any member of the Committee, by the external Auditors or Corporate Review or by the Chairman of the Board.
- 5.4 Scheduled meetings are broadly structured. The table below provides a guide to the timing and suggested minimum content for each meeting. In addition to the agenda items indicated in the table, any other relevant external Auditor or Corporate Review reports or significant correspondence that may arise between meetings is considered at the next scheduled meeting.

### Audit Meetings

Meeting	Timing
Meeting A	A date before or after the Annual General Meeting that coincides with the Audit planning phase – currently November
Meeting B	A date that coincides with the completion of the external Auditors' half-year review – currently February
Meeting C	A date that coincides with the Audit planning phase – currently June
Meeting D	A date that coincides with the completion of external Auditors' statutory financial Audit - currently September

Item	Meeting			
	A Nov	B Feb	C June	D Aug
1. Consider and recommend the appointment of the external Auditor;			√	√
2. Consider and review the adequacy of the management information and internal control systems, including information technology controls and security, and business continuity plans.	√	√	√	√
3. Consider any other issues that may impact the half yearly or year end financial statements or that otherwise require resolution prior to finalisation of Half Yearly or Annual Accounts.	√		√	
4. Make enquiries in relation to matters of corporate conduct, including consideration of any management report highlighting actual or potential conflicts of interest or significant transactions with related parties.		√		√
5. Receive a report from Management on the superannuation arrangements.	√		√	
6. Review the Audit scope and objectives for the external Audit program for the ensuing year and approve the associated Audit fee.			√	
7. Review and approve the Committee's annual report to the Board summarising the Committee's activities during the year.				√
8. Review and make recommendations to the Board concerning any proposed changes to the Audit Committee Charter;			√	
9. Review and note significant changes to the Corporate Review Charter;			√	
10. Review the nature of non-Audit services provided by the external Auditor and related fees;	√	√	√	√
11. Review the Audit scope and objectives for the Corporate Review work program for the next half year.	√		√	
12. Review the Auditor's independence statement provided for the Board by the external auditors for <ul style="list-style-type: none"> <li>•their reappointment</li> <li>•the half year and year end audits</li> </ul>	√		√	√

## Risk Management Meetings

Item	Meeting			
	A Nov	B Feb	C June	D Aug
1. Reviewing management's processes and results in identifying, assessing and monitoring risks and the implementation and maintenance of policies and control procedures		√		√
2. Consider and discuss with the Chief Executive Officer their Risk Management Integrity Statement to the Board.				√
3. Review implementation of Risk Management Policies. Consider and assess the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external Auditors' Reports and action taken or proposed resulting from those reports.	√	√	√	√
4. Review and approve the Committees Annual Report to the Board including a summary of key procedures and the major operational risks facing EBG.				√

## 6. ATTENDANCE AT MEETINGS AND QUORUM

- 6.1 Other Board Directors (executive and non-executive) have a right of attendance at meetings. However, no Board Director is entitled to attend that part of a meeting at which an act or omission of that Director or a contract, arrangement or undertaking involving or potentially involving that Director or a related party of that Director is being investigated or discussed.

Notwithstanding the above, if in the opinion of the Committee, their investigation or discussion will be assisted by hearing from the interested Board Director, the Committee may invite that Board Director to address the Committee. The Committee shall give fair consideration to that address. The Board Director will not, however, be invited to take part in the deliberations following that address.

- 6.2 The Chief Executive Officer is expected to attend each meeting of the Committee. Other EBG executives and/or parties external to the EBG may be invited to attend any meeting of the Committee.

6.3 The external Audit engagement partner should attend any meeting of the Audit Committee.

6.4 The quorum for a meeting is two members or any greater number determined by the Committee from time to time.

## **7. SECRETARY**

7.1 The Company Secretary or another appropriate executive shall act as Secretary of the Committee.

## **8. SCOPE, ACCESS & AUTHORITY**

8.1 The activities of the Committee are in relation to the EBG Group. The Committee may also provide advice to other entities of EBG.

8.2 The Committee has direct access to the EBG Group's external Auditors and Corporate Review, and has the authority to seek any information it requires to carry out its duties from any officer or employee of any entity of EBG and such officers or employees shall be instructed by the Board of the entity employing them to cooperate fully in the provision of such information.

8.3 The Committee also has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

## **9. REPORTING**

9.1 Proceedings of all meetings are minuted and signed by the Chairman.

9.2 The Committee, through its Chairman, reports to the Board at the earliest possible Board Meeting after each Committee meeting. Minutes of all Committee meetings are circulated to Board Directors. The report should include but not limited to:

- (a) the minutes of the Committee and any formal resolutions;
- (b) information about the Audit process including the results of internal and external Audits;
- (c) any determination by the Audit Committee relating to the independence of the external Auditor;

- (d) any other matters that in the opinion of the Audit Committee should be brought to the attention of the Board, and any recommendations requiring Board approval and/or action; and
  - (e) at least annually, a review of the formal written charter and its continuing adequacy, and an evaluation of the extent to which the Committee has met the requirements of the charter;
- 9.3 In addition, the Chairman of the Committee submits an annual report to the Board (at the Board meeting at which the year end financial statements are approved) summarising the Committee's activities during the year. The report (and where appropriate any interim report) must include:
- (a) a summary of the Audit Committee's main authority, responsibilities and duties;
  - (b) biographical details of Audit Committee members, including expertise, appointment, dates and terms of appointment;
  - (c) member and related party dealings with the company;
  - (d) details of meetings, including the number of meetings held during the relevant period, and the number of meetings attended by each member;
  - (e) details of any change to the independent status of each member during the relevant period, if applicable; and
  - (f) details of any determination by the Audit Committee regarding the external Auditor's independence.

## **10. DUTIES**

- 10.1 The duties and responsibilities of a member of the Committee are in addition to those duties set out for a Director of the Board.
- 10.2 This section outlines the specific duties the Committee is expected to undertake in meeting its principal purpose. These duties are grouped below under five headings – Financial & External Reporting, Risk Management & Internal Control Structure, Audit Activities, Audit Scope & Audit Independence, Corporate Governance & Integrity plus Other Matters. Under each of these headings, the primary duty (where applicable) has been noted first followed by an indicative list of tasks that the Committee may consider undertaking in order to satisfy the



primary duty.

## **Financial & External Reporting**

### *Primary Duty*

The Committee is expected to review all Audited EBG Group financial statements intended for publication prior to recommending their approval by the Board. This includes quarterly reports, if Audited quarterly accounting is adopted by the Board.

In respect of unaudited quarterly reports or reports to regulators, the Chairman will review these on the Committees behalf.

The review process includes determining that management and the external Auditors are satisfied with the contents of the financial statements and the adequacy of disclosure therein.

### *Indicative Task List*

Tasks the Committee may undertake in meeting this responsibility include:

- (a) Review the appropriateness of the company's accounting policies and principles.
- (b) Review the processes used by management that monitor and ensure compliance with laws, regulations and other requirements relating to external reporting by the company of financial and non-financial information. These include, but are not limited to:
  - Relevant Accounting Standards;
  - Corporations Act;
  - Listing Rules of EBG, including but not limited to:
    - (i) The existence of an appropriate procedure for meeting the company's continuous disclosure obligations;
    - (ii) Reviewing for completeness and accuracy the disclosure of the company's main corporate governance practices; and
    - (iii) where applicable, requirements of other countries.
- (c) Reviewing any significant changes in accounting policies or principles or any changes in the application of those policies or principles compared with prior

- years, including considering the reasons for the changes and the external Auditors' views of the changes, and if thought appropriate, recommending that such changes be submitted to the Board for approval.
- (d) Enquiring into any significant difference of opinion between management and the external Auditors or Corporate Review concerning disclosures in the financial statements and how the matter was resolved, considering any material adjustments arising from the external or internal Audits and reviewing cases where management has sought advice on specific accounting matters from any other external advisers, and reporting those matters to the Board.
  - (e) Comparing operating results with prior years and budgets, and obtaining explanations for significant variances.
  - (f) Examining significant accounting accruals, provisions and estimates that may have a material impact or effect on the financial statements.
  - (g) Determining that disclosures in the financial statements are appropriate and comply with all relevant legislation and accounting pronouncements by obtaining such representations from management as it considers necessary to obtain assurance regarding the major aspects of such disclosure and comparing disclosures made in the draft financial statements with those representations for reasonableness and accuracy.
  - (h) Enquiring into current developments likely to affect the financial statements or financial reporting by reviewing new or pending accounting and legislative pronouncements, disclosure requirements and taxation matters and proposed changes to the formats of financial statements, as they affect both current and future years.
  - (i) Reviewing current and pending litigation which management or legal counsel believes is likely to have a material effect on the financial statements.

### **Risk Management & Internal Control Structure**

#### *Primary Duty*

The responsibility of the Committee in the area of risk management and internal control is to monitor the risk management and internal control structure implemented by management and advise on significant changes to that structure so as to obtain reasonable assurance that the EBG Group's assets are safeguarded and that reliable financial records are maintained.

#### *Indicative Task List*

Tasks the Committee may perform under this heading include:

- (a) Reviewing management's processes and results in identifying, assessing and monitoring risks associated with EBG business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risks.
- (b) Considering and assessing the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of the external Auditors' and Corporate Review's reports to management on internal controls (including information technology controls), and action taken or proposed resulting from those reports.
- (c) Any other business risks that are not dealt with by a specific Board Committee.
- (d) Once a year report to the Board a summary of the major operational risks facing EBG.

### **Audit Activities, Audit Coverage & Auditor Independence**

#### *Primary Duty*

The key responsibilities of the Committee in relation to the activities of external Audit and Corporate Review are to ensure that the Audit approach covers all financial statement areas where there is a risk of material misstatement and that Audit activities are carried out throughout the EBG Group in the most effective, efficient and comprehensive manner with due regard to the differing roles of external Audit and Corporate Review.

The Committee has the responsibility to ensure that the External Auditor meets the required standards for Auditor Independence. In carrying out its responsibilities for monitoring Auditor Independence the Committee will be cognisant of the following:

- (a) On the occasion that the External Audit Services are to be tendered, responsibility for nominating the external Auditor (to be proposed for shareholder approval) and for evaluating the external Auditor will lie with the Audit Committee. In this instance the Committee would:
  - review any prospect of Auditor replacement and/or tender suggested by management.
  - before any decision is made, report the results of its investigation to

the Board of Directors and make recommendations;

- where the decision for replacement or a new tender is made, all work would then be conducted by the Committee;
- (b) The external Auditor reports to the Audit Committee but is responsible to the Board of Directors, as representatives of the shareholders.
- (c) It is mandatory that the Audit Partner responsible for the Audit be rotated at least every seven years. At least two years must expire before the Audit Partner can again be involved again in the Audit of the Group.
- (d) The Committee must monitor the number of former employees of the external Auditor who were involved in auditing the company, currently employed in senior financial positions in the company, and assess whether this impairs or appears to impair the Auditor's judgment or independence in respect of the company.
- (e) Consider whether taken as a whole, the various relationships between the company and the external Auditor impairs or appears to impair the Auditor's judgment or independence in respect of the company.
- (f) Review the economic importance of the company (in terms of fees paid to the external Auditor for the Audit as well as fees paid to the external Auditor for the provision of non-Audit services) to the external Auditor and assess whether the economic importance of the company to the external Auditor impairs or appears to impair the external Auditor's judgment or independence in respect of the company.
- (g) Any proposal to grant the external Auditor consulting work to the value of \$25,000 or more (other than audit-related work and work relating to taxation services) will be referred to the Chairman of the Audit Committee by management prior to granting the work.

#### *Indicative Task List*

As a practical matter, some specific tasks the Committee will focus on in meeting its responsibilities for Audit Activities, Audit Coverage & Auditor Independence include:

- (a) Ensuring that the external Auditor provides an annual declaration for the half year and full year accounts (addressed to the Board of Directors) that provides;

- an account of all relationships between the external Auditor and the company
  - confirmation that the Auditor has maintained its independence in accordance with:
    - (i) the Corporations Act,
    - (ii) the rules of the professional accounting bodies and
    - (iii) the auspices of this Charter and
  - confirmation by the Auditor that it is, in its professional judgment, independent of the company.
- (b) In addition, the Audit Committee may hold discussions with the external Auditor in relation to these disclosed relationships, and their potential impact on Auditor independence.
- (c) Ensuring that the annual report for the financial year:
- provides disclosure of the dollar amount of all non-Audit services provided by the external Audit firm to the EBG group, divided by category of service
  - discloses whether the Committee has considered whether the provision of non-Audit services is compatible with maintaining the Auditor's independence.
- (d) Ensuring that the External Auditor or a representative of the Auditor attend the AGM at which the Auditor's report is tabled.
- (e) Periodically reviewing the method by which the external Auditors communicate matters to management and the Board to confirm appropriateness and currency.
- (f) On an annual basis, reviewing their terms of engagement and recommending to the Board the appointment and remuneration of the external Auditors.
- (g) Annually reviewing the Audit plan of the external Auditors by considering it in light of the terms of their engagement, areas of special concern to the external Auditors or to the Board, the extent to which changes in internal accounting control have affected the plan and the coordination of planned work with Corporate Review.
- (h) Assessing the performance of the external Auditors by discussion with

management, together with the Committee's own perceptions from its interaction with the external Auditors.

- (i) Review all representation letters signed by management.
- (j) Annually assessing the effectiveness of the Corporate Review function by reference to the Corporate Review Charter and its scope of operations and critically appraising Corporate Review activities including planning documentation, progress against plan, resources and reports produced.
- (k) Satisfying itself that Corporate Review objectives, plans and resources provide for adequate support of the Committee's own goals and objectives.
- (l) Confirming that the independence of the Audit function is maintained by ensuring there are no unreasonable restrictions placed upon the external Auditor or Corporate Review and has full and free access to the Committee to preserve objectivity.
- (m) The Chairman of the Committee will meet (at least annually) with the External Auditors without the presence of management.

### **Corporate Governance and Integrity**

#### *Primary Duty*

The principal role of the Committee in relation to corporate integrity is to provide assurance that the EBG Group adequately complies with applicable laws and regulations, is conducting its affairs ethically and is maintaining appropriate controls against employee conflict of interest and fraud.

#### *Indicative Task List*

Some specific matters the Committee may focus on under this heading include:

- (a) Considering EBG Group policies concerning compliance with laws, regulations, business ethics and conflicts of interest, including policies in relation to EBG's continuous disclosure obligations and rules governing trading in EBG shares by officers and employees.
- (b) Reviewing any significant recommended changes to the EBG Code of Ethical Conduct and monitoring the procedures in place to ensure compliance with that Code.

- (c) Reviewing and monitoring related party transactions and assessing their propriety.
- (d) Enquiring into actual or potential conflicts of interest, including reviewing contracts, arrangements or undertakings that may involve related parties and more generally, monitoring significant transactions to ensure they are at arm's length.
- (e) Reviewing any investigation of significant misconduct or fraud and significant instances of employee conflict of interest.
- (f) Considering the appropriateness and currency of the Group's corporate governance practices, including consideration of the Corporate Governance Statement to be included in the EBG Annual Report.

### **Other Matters**

From time to time, the Committee may need to request, or, if approved by the Board, to direct, a special project or investigation into a serious issue or significant transaction that falls within the ambit of the Committee's overall responsibilities.

### **11. FEES**

- 11.1 Committee members are entitled to receive remuneration as determined from time to time by the EBG Board.

### **12. REVIEW OF CHARTER**

- 12.1 The Audit Committee Charter is reviewed annually by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.
- 12.2 Significant changes to the Charter are recommended by the Committee and approved by the Board.