

**VERBREC LIMITED**  
ACN 127 897 689

**AUDIT & RISK COMMITTEE CHARTER**  
As approved by the Board of Directors on 3 July  
2019

**1. Preamble**

The Audit & Risk Committee is a committee of the Board of Verbrec Limited.

**2. Objectives**

The primary objectives of the Audit & Risk Committee are to assist the Directors of Verbrec Limited to discharge their obligations with respect to:

- (a) the integrity and quality of interim and annual financial reporting and disclosures;
- (b) identification of key business, financial and regulatory risks;
- (c) compliance with relevant laws, regulations, standards and codes;
- (d) adequacy of the internal control framework; and
- (e) oversight of the integrity of internal and external audit.

**3. Composition**

The Audit & Risk Committee shall:

- (a) have at least 3 members;
- (b) be comprised of a majority of non-executive directors;
- (c) consist of a majority of independent directors;
- (d) be chaired by an independent chair who is not chair of the board.

All members of the Audit & Risk Committee must be financially literate, and at least one member having an understanding of the industry in which the Company operates.

**4. Attendance by invitation**

The following people may be invited to attend all or part of an Audit & Risk Committee meeting:

- (a) Chief Executive;
- (b) Chief Financial Officer;
- (c) Company Secretary;
- (d) The Company's external auditor;
- (e) Any internal auditor appointed by the Company; and
- (f) Other staff members or external parties as requested by the Committee.

**5. Meetings**

- 5.1 The Audit & Risk Committee will hold at least four regular meetings each year, with additional meetings called by the Chairperson of the Audit & Risk Committee as required,

or if formally requested by any member of the Board, any member of the Committee, the Chief Executive, the Internal Auditor or the External Auditor.

- 5.2 An annual schedule of Audit & Risk Committee meetings and activities will be maintained.
- 5.3 The Company Secretary, in conjunction with the Committee Chairperson, will prepare an agenda which together with the relevant papers will be circulated at least five days (including a weekend) before each scheduled meeting to the members of the Committee.
- 5.4 A quorum will comprise at least two members of the committee who are non-executive directors of which at least one is independent.
- 5.5 The Company Secretary or nominee will maintain a formal record of the business of each meeting.
- 5.6 The Chairperson of the Audit & Risk Committee will report key issues arising and any recommendations of the Audit & Risk Committee to the Board meeting following each Audit & Risk Committee meeting.

## **6. Duties and Responsibilities**

The Audit & Risk Committee may consider any matter concerning the financial affairs of the Company, the internal audit, the external audit, risk management and any other issues referred to it by the Board. The Audit & Risk Committee will discharge its objectives, as defined in Section 2 above, as follows.

### **6.1 Risk**

Review the adequacy of the risk management framework including the risk management policy and risk management plan adopted by the Company for assessing and managing key business and financial risks.

Review trends in the Company's risk profile and any reports on specific risks.

Monitor risks relating to business continuity, disaster recovery and reputation of the Company.

### **6.2 Compliance**

Review the effectiveness of the Company's compliance programs in place to provide reasonable assurance of compliance with laws.

Review compliance reports from management in relation to the Company's compliance with legal requirements.

Obtain regular updates from the Company's legal counsel on any material litigation and compliance with significant legal requirements.

### **6.3 External reporting**

The Committee's primary responsibility is to review the integrity of the Company's statutory financial reporting process. The Committee will:

- (a) review the draft interim and annual financial statements and preliminary announcements to be released through the ASX and make recommendations to the Board;

- (b) discuss with management any significant movements in the financial statements between periods and from budget;
- (c) review any material changes in accounting or reporting requirements and assess their affect on the Company's policies and financial statements;
- (d) review any significant judgements made by management in preparing the financial statements, as well as disclosure of unusual, complex or related party transactions; and
- (e) review the management representation letter and/or other certificates made by the Chief Executive and Chief Financial Officer in respect of the financial statements.

#### **6.4 Reporting to Board**

The Audit & Risk Committee shall report to the Board, which reports should contain all relevant matters to the Committee's role and responsibilities, including:

- (a) an assessment of whether the external reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs, including review all half yearly, annual and other financial reports distributed externally with particular emphasis on the integrity and completeness of information and key disclosures;
- (b) assessment of the management processes supporting external reporting;
- (c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (d) recommendations for the appointment or, if necessary, the removal of the external auditor;
- (e) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the audit committee is satisfied that provision of those services has not compromised the auditor's independence;
- (f) assessment of the performance and objectivity of the internal audit function;
- (g) the results of the Committee's review of risk management and internal control systems; and
- (h) recommendations for the appointment, or if necessary, the dismissal of the head of internal audit.

#### **6.5 Finances and Insurance**

The Audit & Risk Committee shall:

- (a) Review any material alteration to existing financing arrangements or commitments and recommend to the Board when satisfied.
- (b) Review key terms and conditions associated with Verbrec's insurance arrangements as part of the annual renewal of the Verbrec insurance program and recommend to the Board when satisfied.

#### **6.6 Internal Control**

Monitor the establishment and maintenance of an appropriate internal control framework, including information systems.

#### **6.7 Internal Audit**

Monitor activities and effectiveness of any internal audit, including:

- (a) approve the engagement terms and conditions of the internal auditor;
- (b) approve the internal audit charter;
- (c) approve the annual internal audit objectives and risk-based work plan;
- (d) review the internal audit reports and actions taken by management;
- (e) review the internal audit's periodic reports on the generally observed compliance with internal control and financial practices, provided in addition to reports on specifically agreed reviews;
- (f) oversee the co-ordination of the internal and external auditors;
- (g) oversee the process and review the procedures for the selection, appointment and removal of the internal auditor;
- (h) assess performance and independence of the internal auditor and consider whether the provision of any non-audit services compromises the independence of the internal auditor; and
- (i) meeting with the internal auditor on a periodic basis, without other members of management being present.

## **6.8 External Audit**

Monitor the activities and performance of the external auditor, including:

- (a) Review the annual audit plan of the external auditors, and approve the external audit remuneration;
- (b) Review with external auditors the outcomes of the annual audits, ensuring that any reported major deficiencies or weaknesses in controls have been identified and that appropriate and timely corrective action is taken by management;
- (c) Discuss with the external auditor the appropriateness of the Company's accounting policies;
- (d) Periodically meeting with the external auditors without the presence of management, to discuss any matters the Committee or external auditors consider appropriate;
- (e) Review representation letters from management to the external auditor;
- (f) Review the annual independence declarations from the external auditor;
- (g) Oversee the process, and review the procedures, for the selection, appointment and removal of the external auditor, including rotation of external audit partner; and
- (h) Assess the performance and independence of the external auditors and consider whether the provision of any non-audit services compromises the independence of the external auditors.

## **6.9 Governance Documents**

Ensure that corporate governance documents are maintained and that there are processes in place for administering their operation. These processes are to include the review of related party transactions and potential conflicts of interest. Corporate governance documents to be reviewed at least annually by the Audit & Risk Committee include:

- Corporate Code of Conduct
- Securities Dealing Policy
- Risk Management Policy

- Continuous Disclosure Policy
- Whistle blower Policy
- Delegation of Authority

## **7. Information**

- (a) The Audit & Risk Committee has the authority to seek any information it requires from any employee of the Company and to require the attendance of any employee at a meeting of the Committee.
- (b) The Company will publish the Audit & Risk Committee Charter on the Verbrec Limited website.
- (c) The Audit & Risk Committee is authorised to seek independent professional advice as it considers necessary.
- (d) The external auditor, and any internal auditor if appointed, will have reasonable access to members of the Audit & Risk Committee.

## **8. Review**

The Board will review this charter annually and make any appropriate amendments, having regard to the Board's objectives, current law and good practice.

The Board will review the composition of the Audit & Risk Committee annually and may appoint or, if necessary, remove any member.