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**Austin Engineering Limited**

Effective 21 November 2018



**austin™**

# **Audit and Risk Committee Charter**

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**What is the purpose of this Charter?**

This Charter describes the Committee's role as a committee of the Board.

This Charter has been approved by the Board. It may be reviewed and amended by the Board at any time.

The Committee will review this Charter each year to ensure that it appropriately documents, and assists the Committee to perform, its role.

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**What is the Committee's role?**

The Committee will assist the Board to fulfil its responsibilities to oversee financial reporting, internal control structure, risk management systems and the external audit function.

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**What are the Committee's responsibilities?**

**External reporting**

Oversee the external reporting process.

Review the adequacy of Austin's accounting policies and principles and any significant estimates and judgments adopted by management in the preparation of external reports.

Review representations made by management in relation to external reporting, including declarations from the CEO and the CFO about financial statements as recommended in the ASX Recommendations.

Review the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to the preparation of accounts and external reports.

Monitor cost forecasting and collection of information for annual reporting purposes.

Review information from external auditors that may affect the quality of financial reports.

Recommend to the Board whether external reports should be approved.

Interview or otherwise obtain information from management in relation to:

- any changes in accounting policies or their application during the reporting period;
  - whether the methods chosen by management are consistent with relevant accounting standards;
  - the methods used to account for unusual transactions, for which there may be no specific accounting standard, including management's reasoning in determining that method; and
  - the method and process used in making material estimates and judgments, including management's reasoning in determining that method.
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### **External audit**

Review the adequacy, expertise and independence of the external auditor.

Make recommendations to the Board about the appointment, reappointment or replacement, remuneration, tenure and terms of engagement of the external auditor.

Review the external auditor's engagement and performance annually, having regard to relevant legislative and regulatory requirements.

Ensure there is unfettered access for the external auditor to raise matters directly with the Board or the Committee, including inviting the external auditor to attend the Committee's meetings to present the audit plan, discuss audit results and consider the implications of external audit findings.

Ensure that the external auditor attends Austin's annual general meetings and is available to answer questions from shareholders relevant to the audit.

Regularly review the scope of the external audit to ensure that it covers all material risks and financial reporting requirements.

Monitor management's responsiveness to, and appropriate and timely resolution of, the external auditor's findings and recommendations, including whether there have been any significant disagreements between the auditor and management.

Review all representation letters signed by management and satisfy ourselves that the information provided is complete and appropriate.

At least annually, meet with the external auditor without the presence of management.

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

Assist the Board in setting the risk management policy and appetite and monitoring whether the business is operating within that policy and appetite.

Review the Company's system of risk management and internal control at least annually to ascertain whether it: has been designed to effectively manage material business risks and protection of assets; and

- is operating effectively in all material respects in relation to the financial reporting risks.
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Review the steps taken by management to monitor and manage all material risks consistent with the strategic objectives, risk appetite and policies approved by the Board.

**Internal control and risk management** *(continued)*

Ensure Austin has in place appropriate systems and procedures to ensure compliance with all relevant laws, regulations, codes, standards and best practice guidelines.

Review management's anti-bribery and anti-corruption, fraud control, security (physical and virtual) policies and the Austin issue resolution standard (that contains Austin's whistleblowing policy).

Review any material insurance matters.

Consider reports concerning material risk events and incidents and oversee management's processes for ensuring that issues identified are addressed in an appropriate and timely manner.

Oversee any internal audit function and receive reports from the internal auditor.

Meet periodically with key management, internal and external auditors and compliance staff to understand and discuss Austin's control environment.

Ensure appropriate disclosures are made regarding any material exposure the Company has to economic, environmental and social risks.

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**Related party transactions**

Review and monitor related party transactions and investments involving Austin and the Directors, including maintaining a register of related party contracts which is reviewed at least annually.

Review and approve all transactions in which Austin is a participant and in which any parties related to Austin (including its officers, Directors, substantial shareholders, their immediate family members and anyone else the Board considers may be considered related parties of Austin) has or will have a direct or indirect material interest.

Approve only those related party transactions that are in the best interests of Austin and its shareholders, after taking into account all available facts and circumstances.

Ensure that Austin complies with all laws and regulations about related party transactions.

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**Other responsibilities**

Review any other matter referred to the Committee by the Board or CEO/Managing Director.

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**Who does the Committee report to?**

The Chair will report to the Board and, if appropriate, make recommendations to the Board after each Committee meeting, concerning matters dealt with by the Committee.

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**Who are the Committee members?**

The Board will appoint at least three non-executive Directors to the Committee with the majority being independent Directors. The Chair will be appointed by the Board, will be an independent Director and will not be the Chair of the Board or the CEO. The Board will ensure that Committee members have the accounting and financial expertise and a sufficient understanding of Austin's industry, to be able to discharge their role effectively.

The Committee's composition will be reviewed on an annual basis by the Board. However, the Board may in its discretion, remove and replace any of the Committee's members at any time.

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**Can the Committee obtain external advice?**

If the Committee considers it necessary or appropriate to do so, it can retain external consultants or advisers to provide advice and/or reports in discharging its responsibilities.

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**What are the Committee's powers?**

The Committee has wide ranging powers to seek information, reports, explanations from the Company, including to question any employee of the Company and any consultant, contractor and internal or external auditor or person who for the time being is acting in any of those positions or performing those functions in respect of any matters it considers relevant or incidental to the discharge of its responsibilities.

The Committee has the power to consider and to use whatever forum is conducive to producing appropriate and truthful results of its enquiries having regard to the proper, adequate and competent discharge of its responsibilities and particularly in the interests of verifying and safeguarding the integrity of the Company's financial reporting.

Notwithstanding the above, the Committee shall be mindful of and shall protect the rights of employees of the Company in the exercise of its powers. In so doing, the Committee may give to any employee any undertaking that it considers necessary, desirable and in the best interest of the company as a whole. The Committee may also determine that such enquiries are to be conducted "in camera" and may exclude the attendance of any person, except an independent member of the Committee, if it is the Committee's view that this method is necessary, or likely to be necessary, in the best interest of the Company as a whole.

The Committee may meet with either the internal or external auditors or both "in camera" as it determines.

The Committee's powers are investigative and advisory only. The Committee will have no power to make determinations on behalf of the Company but will recommend to the Board on matters for Board determination.

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**How are the Committee's meetings regulated?**

The Committee will meet at least twice annually and more frequently if determined appropriate by the Committee or the Board.

The Committee's meetings will be regulated in accordance with the Constitution.

Administrative support will be provided to the Committee by the Company secretary.

The CEO, CFO and the external auditor may attend any of the Committee's meetings.

The Committee may invite any Director or senior executive of the Company or any external consultant or adviser to attend the Committee's meetings.

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<b>Definitions</b>	<b>ASIC</b>	Australian Securities and Investments Commission.
	<b>ASX</b>	ASX Limited ACN 008 624 691 or the stock market operated by it, as the context requires.
	<b>ASX Recommendations</b>	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
	<b>Austin or the Company</b>	Austin Engineering Ltd ACN 078 480 136 and its subsidiary companies from time to time, operating divisions, business units and joint ventures (where relevant).
	<b>Board</b>	The board of directors of Austin.
	<b>CEO</b>	The chief executive officer of Austin.
	<b>CFO</b>	The chief financial officer of Austin.
	<b>Chair</b>	The chair of the Committee.
	<b>Charter</b>	This document as amended from time to time.
	<b>Committee</b>	The audit and risk committee of the Board.
	<b>Constitution</b>	The constitution of the Company.
	<b>Director</b>	A director of Austin.
	<b>Managing Director</b>	The managing Director of Austin.