



# Audit & Risk Committee Charter

## Role of the Committee

The Audit & Risk Management Committee (**Committee**) assists the Board (**Board**) of Austin Engineering Limited (**Company**) in fulfilling its responsibilities for corporate governance and oversight of the company's financial reporting, internal control structure, risk management systems and internal and external audit functions.

## Composition, Size and Structure

- (a) The Committee shall consist of:
  - (i) at least three members;
  - (ii) non-executive directors; and
  - (iii) a majority of directors who are independent
- (b) All Committee members should be financially literate (i.e. able to read and understand financial statements). All Committee members should have a reasonable understanding of the Company's business and the industry in which it participates.
- (c) The Board will appoint the chair of the Committee. The chair must be an independent director and may not be the chair of the Board.

## Meetings and Administration

- (a) the Committee will meet as frequently as necessary, but at least four times a year.
- (b) a quorum for any meeting will be at least two Committee members.
- (c) the Company Secretary will be the Secretary of the Committee.
- (d) the Committee may invite other persons to attend meetings, if considered appropriate by the chair of the Committee, for example any executive Director, executive, other staff member or external auditor.
- (e) the Committee may, with the approval of the Committee chair, seek independent advice from external consultants to enable the Committee to properly carry out its functions and meet its objectives.

The Committee shall ensure:

- i. each member of the Committee is given reasonable notice of a Committee meeting;
- ii. the chair of the Committee calls a meeting at the request of any Committee member, the Managing Director, or the Company Secretary;
- iii. formal minutes of meeting of the Committee are taken by the Company Secretary and available for inspection by any director of the Board; and
- iv. any person who has a material personal interest in a matter being considered by the Committee must not be present at a meeting of the Committee, when that matter is being considered.



## Reporting to the Board

The chair of the Committee (or a person nominated by the chair of the Committee for that purpose) must report to the Board at its next meeting on all material matters and recommendations relevant to the Committee's duties and responsibilities. Where any Committee member has a contrary view to a Committee decision, that view is to be reported to the Board.

## Duties and Responsibilities

The Committee's key responsibilities and functions are to assist the Board in discharging its responsibilities:

- (i) to oversee the establishment of and approving the Company's risk management framework (for both financial and non-financial risks) including its strategy, policies, procedures and systems;
- (ii) to review at least annually and monitor the effectiveness of the Company's risk management framework to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board;
- (iii) to review and make recommendations in relation to the Company's financial statements and reports;
- (iv) in relation to the Company's financial reporting, which, without limitation, includes:
  - reviewing the suitability of the Company's accounting policies and principles, how they are applied and ensuring they are used in accordance with the statutory financial reporting framework;
  - assessing significant estimates and judgements in financial reports;
  - assessing information from the external auditor to ensure the quality of financial reports; and
  - recommending to the Board whether the financial and associated non-financial statements should be signed based on the Committee's assessment of them.
- (v) in relation to the entry into, approval or disclosure of related party transactions (if any);
- (vi) in overseeing the Company's financial controls and systems;
- (vii) to manage audit arrangements and auditor independence, including considering whether an internal audit function is required and, if not, ensuring that the Company discloses the processes it employs to evaluate and improve its risk management and internal control processes; and
- (viii) in relation to the integrity of periodic corporate reports released to the market, which are not audited or reviewed by an external auditor.

## Preparation and Presentation of Financial Statements and Reports

The Committee will:

- (a) after review with management and the external auditor, recommend to the Board the half year and full year financial statements, the preliminary financial reports to be lodged with ASX and all related financial reports and statements;
- (b) review representation letters to be signed by management to ensure that all relevant matters are addressed;
- (c) discuss matters raised by the external auditor as a result of their work;
- (d) assess the impact of changes in accounting standards and review recommendations for adoption of such changes in the financial accounts; and



- (e) ensure that appropriate processes are in place to form the basis upon which the Chief Executive Officer and Chief Financial Officer execute their certifications under section 295A of the Corporations Act 2001 (Cth) (Corporations Act) to the Board at financial year end in relation to the systems of internal controls, and that that system is operating effectively in all material respects in relation to financial reporting risks.

## **Financial Controls and Systems, Risk Management Strategy, Polices, Procedures and Systems**

- (a) The Committee will oversee the effectiveness of the Company's financial controls and systems, oversee the risk management function (as detailed below) and evaluate the structure and adequacy of the group's insurance coverage periodically.
- (b) The risks faced by the Company may include regulatory and compliance risk, investment risk, legal risk, economic risk, environmental risk, social risk, occupational health and safety risk, financial risk, reputation risk, operational and execution risk and strategic risk.
- (c) Responsibility for risk management is shared across the organisation. Key responsibilities include the following:
- (i) The Board is responsible for overseeing the:
    - a. establishment of and approving the Company's risk management framework (for both financial and non-financial risks) including its strategy, policies, procedures and systems; and
    - b. disclosure of any material exposure that the Company has to environmental or social risks and how the Company intends to manage those risks.
  - (ii) the Company management is responsible for establishing the Company's risk management framework, including identifying major or potentially major risk areas and developing the Company's policies and procedures, which are designed effectively to identify, treat, monitor, report and manage key business risks;
  - (iii) The Board has delegated to the Committee responsibility for:
    - a. identifying major or potentially major risk areas;
    - b. reviewing and monitoring the Company's risk management framework to provide assurance that major business risks (including contemporary and emerging risks) are identified, consistently assessed and appropriately addressed. In addition, the Committee should undertake a review of the Company's risk management framework with management (at least once annually) to satisfy itself that the Company's risk management framework continues to be sound (including whether there have been any changes to material business risks and whether the Company is operating within the risk appetite set by the Board). The Committee should ensure that the Board discloses whether such a review has taken place in the Company's annual report;
    - c. considering the Company's approach to occupational health and safety, economic, environmental and social risks, including the benchmarks the Company uses to measure performance on issues of sustainability and their achievements against those benchmarks;



- d. reviewing issues raised by internal audit and any material incident involving fraud or a break-down of the risk management framework and identifying “lessons learned”;
  - e. providing risk management updates to the Board and any supplementary information required to provide the Board with confidence that key risks are being appropriately managed;
  - f. reviewing reports from management concerning compliance with key laws, regulations, licences and standards which the Company is required to satisfy to operate;
  - g. overseeing tax compliance and tax risk management; and
  - h. reviewing any significant findings of any examinations by regulatory agencies.
- (iv) The Chief Executive Officer and Chief Financial Officer are to provide to the Board declarations in accordance with section 295A of the Corporations Act.
- (v) Reporting is an important part of the risk management function:
- (vi) It is the responsibility of the Committee to report to the Board about the Company’s adherence to policies and guidelines approved by the Board for the management of risks. This includes bringing to the Board’s attention any instances where the Company either has or may need to operate outside the current risk appetite set by the Board or where disclosure to the market might be required.
- (vii) The CEO/Managing Director and Chief Financial Officer are each responsible for reporting to the Committee on:
- a. any exposures or breaches of key policies, procedures or systems, or incidence of risks, where significant (including any material incidents reported under the Company’s Code of Conduct, Anti- Bribery and Corruption Policy and Whistleblower Policy);
  - b. new and emerging sources of risks (including the risk controls and mitigation measures that has been or is being put in place by management to deal with those risks);
  - c. any disclosure-related considerations; and
  - d. proposed changes to the Company’s risk management framework.
- (viii) Risk issues will be identified, analysed and ranked in a consistent manner.

## External Audit

The Committee:

- (a) is responsible for making recommendations to the Board on the appointment, reappointment or replacement (subject to shareholder ratification, as required), remuneration, monitoring of the effectiveness, and independence of the external auditor;
- (b) will discuss annually with the external auditor the overall scope of the external audit and ensure the external auditor attends the Company AGM and is available to answer questions from security holders relevant to the audit;
- (c) is responsible for making recommendations to the Board in relation to the provision of all audit and non-audit services provided by the external auditor;
- (d) will advise the Board on statements to be made in the directors’ report regarding non- audit services in accordance with the Corporations Act; and



- (e) will review the procedures for selection and appointment of the external auditors and rotation of external audit engagement.

Refer to Annexure A “Policy on non-audit services provided by independent external auditors”.

### **Authority**

The Committee is empowered to investigate any matter, with full access to all books, records, company operations, and people of the Company and the authority to engage independent accounting, legal, compliance, risk management or other professional advisers as it determines necessary to carry out its duties.

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.

### **Access to Information and Independent Advice**

The Committee may seek any information or advice it considers necessary to fulfil its responsibilities.

The Committee has access to:

- (i) the Company’s management, to seek explanations and information from them; and
- (ii) external and internal auditors to seek explanations and information, without the Company’s management being present.

The Chief Financial Officer and Company Secretary shall have free and unfettered access to the Committee.

The Committee may seek professional advice from appropriate external advisers, at the Company’s cost. The Committee may meet with these external advisers without the Company’s management being present.

### **Committee Performance**

The Committee will review this Charter as often as it considers necessary.

The Board will, as often as it considers necessary, review the membership of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee’s membership, responsibilities, functions or otherwise.

The Committee shall make an evaluation of its performance as often as it considers necessary to determine whether it is functioning effectively by reference to current best practice.

The Board may change this Charter (including the responsibilities of the Committee) from time to time.



## **Annexure A**

### **Policy on non-audit services provided by independent external auditors**

The Committee is responsible for oversight of the engagement of the external auditor to supply non audit services. This policy is intended to assist in maintaining the independence of the Company's external auditor by regulating the provision of non-audit services by the auditor. The policy aims to provide guidance to the Committee in fulfilling its role of determining the independence of the external auditor by reference to:

- (a) those non-audit services that the external auditor may not provide; and
- (b) non-audit services that the external auditor may provide with the Committee's approval.

### **Services requiring Committee approval**

The Committee recognises that there may be circumstances where the external auditor may perform non-audit services without creating a perceived or real threat to the independence of the external auditor. Such circumstances may include small or minor tasks of an assurance or compliance nature or cases where the external auditor is uniquely positioned to perform the services.

The following tasks may be performed by the external auditor, subject to the following approval limits:

- (a) Non-audit services where the fee for the particular engagement does not exceed \$25,000 may be approved by the Chief Financial Officer and advised to the Chair of the Committee;
- (b) Non-audit services where the fee for the particular engagement exceeds \$25,000 but is less than \$50,000 may be approved by the Chief Financial Officer and the Chair of the Committee; and
- (c) Non-audit services where the fee for the particular engagement exceeds \$50,000 may only be approved by the Committee.

In addition to the approval limits described above, where the annual fees for all non-audit services exceed or are likely to exceed 50% of the external auditor's annual audit fees, specific approval must be obtained from the Board to determine that the external auditor's independence is not perceived to be compromised.

### **Services which the Auditor is prohibited from providing**

Specifically, the following activities should not be provided by the external auditor:

- bookkeeping or other services relating to the accounting records or financial statements;
- the design and implementation of financial information systems or financial controls;
- providing appraisal or valuation and fairness opinions;
- management functions;
- internal audit outsourcing services;
- actuarial services; or
- acting as a broker-dealer, promoter or underwriter.



Notwithstanding those services listed above, a service will be deemed to be prohibited if it creates a real or perceived material threat to the independence of the external auditor.

## **Monitoring and reporting**

### *Internal Audit*

The internal audit function will monitor whether this policy is being complied with and must promptly report any breach of this policy to the Committee Chair.

### *Chief Financial Officer*

The Chief Financial Officer must report to the Committee on a periodic basis regarding:

- any non-audit services provided by the auditor; and
- the amounts paid to the external auditor for those services

### *Committee*

The Committee must provide an annual report to the Board detailing the non-audit services provided by the external auditor during the year. The report should include:

- the amounts paid or payable to the external auditor for non-audit services provided during the year;
- whether any non-audit services provided during the year by the external auditor are compatible with the general standard of independence of auditor imposed by the Corporations Act; and
- the reasons why the Board should be satisfied that any non-audit services provided during the year by the external auditor did not compromise the auditor independence requirements of the Corporations Act.

A full analysis of the total fees paid to the external auditor, including a breakdown of fees for non-audit activities will be disclosed in the Company's annual reports.