



ROTOGRO

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## **Audit and Risk Committee Charter**

**Roto-Gro International Limited**

**ACN 606 066 059**

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## 1. Scope

- 1.1 The Audit and Risk Committee (**Committee**) is a Committee of the Board of the Company with the specific powers delegated under this Charter. The Charter sets out the Committee's objectives, composition, mode of operation, authority and responsibilities.
- 1.2 If the Company does not have an Audit and Risk Committee, the Board will carry out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee charter.

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## 2. Objectives

- 2.1 The main objectives of the Committee is to assist the Board in fulfilling its oversight responsibilities in respect of:
- (a) the financial reporting process;
  - (b) the system of internal control relating to all matters affecting the Group's financial performance;
  - (c) the internal (if and when appointed) and external audit process, e.g. determining the independence and effectiveness of the external and internal auditors, and maintaining open lines of communications among the Board, the internal and external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;
  - (d) the process for monitoring compliance with laws and regulations and the Company's Code of Conduct;
  - (e) the adoption and application of appropriate ethical standards and management of the Group and the conduct of its business;
  - (f) the exercise of due care, diligence and skill in relation to risk assessment, risk management strategies and monitoring as well as reviewing the adequacy of the Group's insurance policies and self-insured risks; and
  - (g) reviewing related party transactions.
- 2.2 The Committee is not required to personally conduct accounting reviews or audits and is entitled to rely on employees of the Company or professional advisers where appropriate.

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## 3. Membership and Composition

- 3.1 The Board will strive to adhere to the following composition requirements for the Committee where at all possible. However, the Board acknowledges that the composition of the Board may not allow adherence to the following composition requirements from time to time.
- 3.2 The Committee shall comprise of:
- (a) at least three members;
  - (b) only Non-Executive Directors, the majority of whom must be independent;
  - (c) an Independent Chairperson appointed by the Board and who is not the Chairperson of the Board; and
  - (d) where possible, members with sufficient financial skills and experience relevant to the Committee's function.

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#### **4. Chair**

- 4.1 In the absence of the Chair, the remaining members will elect one of their number as Chair of the meeting.
- 4.2 The Chair of the Committee does not have a casting vote.

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#### **5. Meetings**

- 5.1 The Committee shall:
- (a) meet as frequently as required but at least two times per year; and
  - (b) the minimum quorum for a Committee meeting is two members.
- 5.2 The secretary of the Committee is the Company Secretary.
- 5.3 The secretary, or one of their representatives, is to attend all committee meetings or to otherwise receive an update from the Committee Chair to ensure that accurate minutes are taken of each Committee meeting.
- 5.4 The secretary will provide such assistance as may be required to the Chair, including in relation to the preparation of agendas, minutes or papers for the Committee.
- 5.5 The internal or external auditors may request a meeting and such a request is to be met.

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#### **6. Authority**

- 6.1 In performing its functions in accordance with any applicable law, the Committee:
- (a) has unrestricted access to the external auditors, the internal audit firm, Senior Management and employees of the Group. Management and employees are directed to co-operate with Committee's requests or from external parties;
  - (b) has unrestricted access to information and reports relevant to fulfilling its responsibilities;
  - (c) shall have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities or when requested by the Board.
- 6.2 The Committee or any member of the Committee is authorised to obtain (at the cost of the Company) outside external advice or other independent professional advice, and to secure the attendance of such advisers if it is considered necessary for the proper performance of the Committee's functions under this Charter. The member should first contact the Chair of the Committee (or if the Chair, the Secretary) for approval prior to proceeding with procuring that professional advice.

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#### **7. Responsibilities: Financial Statements**

- 7.1 The Committee must promote an environment within the Company which is consistent with creditable and objective financial reporting. In particular, the Committee must:
- (a) review the suitability and application of accounting policies to ensure they are applied in accordance with the financial reporting obligations of the Group;
  - (b) review the financial statements and consider whether they are complete, consistent with information known to the Committee and reflect appropriate accounting

- policies and principles;
- (c) assess significant estimates and judgments made in financial statements;
  - (d) receive and consider in connection with the Group's financial statements letters of representation to the Board in respect of financial reporting and the adequacy and effectiveness of the Company's risk management, internal compliance and control systems and the process and evidence adopted to satisfy those conclusions;
  - (e) review the financial sections of the Group's Annual Report and any other periodic or ad hoc regulatory filings before release and consider the accuracy and completeness of the information; and
  - (f) review with management and the external auditors the results of the audit.
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- (g) review the effectiveness of the Group's internal controls regarding all matters affecting the Group's financial performance and reporting, including information technology security and control; and
  - (h) review the scope of internal and external auditors' review of internal control, review reports on significant findings and recommendations, together with management's responses, and recommend changes from time to time as appropriate.
- 7.2 The Committee will ensure that the Chief Executive Officer and Company Secretary prepare a written statement to the Board certifying that the Company's annual financial report and half yearly financial report present a true and fair view, in all material respects, of the financial condition of the Company and its operational performance and are in accordance with relevant accounting standards.
- 7.3 The statement is to be presented to the Board prior to the approval and sign-off of the respective annual and half yearly financial reports.
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## **8. Responsibilities: Internal Audit**

- 8.1 The Committee shall report to the Board on the internal audit function and must:
- (a) monitor the need for a formal internal audit function and its scopes and objectives;
  - (b) review and recommend to the Board the appointment or removal of the internal auditor;
  - (c) approve the annual budget, staffing and structure of the internal audit and ensure that it is adequately resourced and has unfettered access to the Group;
  - (d) approve the outsourcing of internal audit services;
  - (e) assessing the independence, performance and objectivity of any internal audit functions that may be in place;
  - (f) ensure that internal audit processes are appropriately documented;
  - (g) review the plans and activities of the internal audit to ensure that it covers all material risks and financial reporting requirements;
  - (h) meet the internal auditor to review reports and monitor management response;
  - (i) meet often as the Committee considers appropriate, and in any event at least once a year, to discuss any matters that the Committee or internal auditor believes should be discussed privately; and

- (j) ensure there are no unjustified restrictions or limitations placed on the internal audit function.
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## **9. Responsibilities: External Audit**

- 9.1 The Committee shall report to the Board on external audit arrangements and must:
- (a) make recommendations to the Board on the appointment, re-appointment, replacement and remuneration of the external audit firm;
  - (b) establish procedures for the selection and appointment of the external auditor;
  - (c) review and approve the terms of engagement for the external auditor;
  - (d) review the scope and adequacy of the external audit with the external auditor including identified risk areas;
  - (e) monitor the performance of the external audit including assessment of the quality and rigour of the audit, quality of the service provided and the audit firm's internal quality control procedures;
  - (f) review and assess non-audit services to be provided by the external auditor, with particular consideration to the potential to impair, or appear to impair, the external auditors' independence;
  - (g) review and monitor management's responsiveness to the external audit findings; and
  - (h) on a periodic basis, meet with the external auditor without the presence of management.
- 9.2 Should a change in external auditor be considered necessary, a formal tendering process will be undertaken. The Committee will identify the attributes required of an external auditor and will ensure the selection process is sufficiently robust in order to ensure the selection of an appropriate auditor.
- 9.3 The Committee and the Board will consider the appointment in conjunction with Senior Management.
- 9.4 The Committee will discuss with the external auditor the provisions the audit firm has in place for rotation of the lead engagement partner and the independent review partner. The Company shall require that the lead engagement partner be rotated at least every 5 years.
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## **10. Responsibilities: Compliance**

- 10.1 The Committee must:
- (a) consider the work plan for Company compliance activities;
  - (b) obtain regular updates from management and the Company's legal adviser regarding compliance matters;
  - (c) review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
  - (d) review and assess the management process supporting external reporting;
  - (e) review the findings of any examinations by regulatory agencies; and
  - (f) review the process for communicating the Code of Conduct to Group personnel, and

for monitoring compliance with that code.

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## **11. Responsibilities: Reporting**

11.1 The Committee must:

- (a) regularly report, through a person nominated by the Chair of the Committee, to the Board about Committee activities, issues, and related recommendations;
  - (b) provide an open avenue of communication between internal auditor, external auditors and the Board. For the purpose of supporting the independence of their function, the external auditor and the internal auditor have a direct line of reporting access to the Committee;
  - (c) report annually to the shareholders, describing the Committee's composition, frequency of meetings held per period (and the attendance record of committee members), responsibilities, and how they were discharged and any other information required by law or the ASX Listing Rules; and
  - (d) review any other reports the Company issues which relate to Committee responsibilities.
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## **12. Responsibilities: General Risk Oversight and Monitoring**

12.1 The Committee must:

- (a) review the Group's risk appetite and risk tolerance, as determined by the Board on a holistic group-wide basis, and with respect to the relevant categories of operational risk and potential external and internal factors affecting those categories of risk;
- (b) review and assess the various categories of risk faced by the Group, including any concentrations of risk and interrelationships between risks;
- (c) review and assess the likelihood of occurrence, severity of impact of those risks, and any mitigating measures affecting those risks;
- (d) review the responsibility for risk oversight and management of specific risks to ensure a common understanding of accountabilities and roles;
- (e) periodically review the Company's risk management framework and the risk treatment and mitigation policies and procedures developed by management, including procedures for periodic and critical reporting of matters to the Board and the Committee;
- (f) review the objectivity, utility, effectiveness and efficiency of the Company's risk management function in the context of the Group's size, complexity and scope of operations and the industry and economic factors which affect it;
- (g) review how the Company's risk management policy and strategy is communicated throughout the Group to ensure it is embedded as part of the Group's corporate culture; and
- (h) review reports from management, external auditors, internal auditors, legal counsel, regulators, and consultants as appropriate, regarding risks the Group faces and its management of those risks.

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### **13. Responsibilities: Internal Control and Risk Management**

13.1 The Committee must:

- (a) assess the internal processes for determining and managing key risk areas, particularly:
  - i. compliance with laws, standards and best practice guidelines;
  - ii. important judgments and accounting estimates;
  - iii. litigation and claims; and
  - iv. fraud and theft;
- (b) address the effectiveness of the internal control, risk management and performance management systems with management, the internal and external auditors, legal and other advisers;
- (c) assess the effectiveness of, and compliance with, risk related internal plans, policies and procedures;
- (d) obtain regular updates about risk and compliance matters; and
- (e) ensure the Chief Executive Officer and Chief Financial Officer are reasonably able to state that their declarations required under section 295A of the Corporations Act 2001 (Cth) relating to financial statements and reports of the Company are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects, in relation to the financial reporting risks.

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### **14. Responsibilities: Risk Transfer and Insurance**

14.1 The Committee must:

- (a) review how certain risks of the Group may be mitigated by risk transfer strategies and the implementation of those strategies;
- (b) review and analyse the extent to which any risk transfer strategies give rise to new risks which may be material;
- (c) review the Company's insurance arrangements including:
  - i. type of cover;
  - ii. scope of cover;
  - iii. duration of cover;
  - iv. adequacy of cover;
  - v. cost of cover;
  - vi. terms and conditions of cover including exclusions and limitations;
  - vii. counterparty risk of insurer, including through engaging professional insurance broker services; and
- (d) review any self-insured risks.

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### **15. Responsibilities: Related Party Transactions**

15.1 The Committee must review and monitor related party transactions and investments involving the Company and its directors including maintaining a register of related party contracts.

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## **16. Minutes**

- 16.1 The Secretary will be responsible for keeping the minutes of its meetings and circulating them to the Chairperson of the Committee for review, and thereafter circulated to the other members of the Committee or the Board as appropriate.
- 16.2 Minutes, agenda and supporting papers are available to Directors upon request to the Committee Secretary, except if a conflict of interest exists.
- 16.3 Minutes must be prepared, approved by the Chair and circulated to members within three weeks of a meeting. The minutes must be ratified at the next meeting of the Committee. The Chairperson should report to the Board after each meeting.

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## **17. Reviews**

- 17.1 The Committee will review its performance on an annual basis.
- 17.2 The Committee should review this charter and its composition annually. The Board should consider the Committee's charter and/or composition.

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## **18. Approved and Adopted**

- 18.1 This Charter was approved and adopted by the Board on 27 April 2020.