



**Redflow Limited ACN 130 227 271**

**Audit & Risk Committee Charter**

**Revised Charter adopted by the Board on 14 December 2018**

This Charter sets out the role, responsibilities, structure and processes of the Audit & Risk Committee of Redflow Limited and its subsidiaries (Redflow).

**1. Roles and Responsibilities**

1.1. The role of the Committee is to assist the Board in fulfilling its responsibilities in overseeing Redflow's financial reporting, compliance with legal and regulatory requirements, the setting of Redflow's risk parameters and overseeing Redflow's systems of internal control and its risk management framework. In fulfilling this purpose, the Committee will:

- a. review and assess the Company's processes which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements, including accounting standards;
- b. review and assess the appointment, qualifications, independence, performance and remuneration of, and relationship with, Redflow's external auditors and the integrity of the audit process as a whole;
- c. oversee the effectiveness of the systems of internal controls and risk management framework; and
- d. where necessary, make recommendations to the Board in relation to each of the areas listed above.

1.2. The main responsibilities of the Committee include:

**Integrity of Financial Statements and Reporting**

- a. reviewing and recommending to the Board for approval the draft annual and interim financial statements and other related information to be released through the ASX to the shareholders and the wider financial community. The review process will include consideration as to whether the financial statements reflect the understanding of the Committee of, and otherwise provide a true and fair view of, the financial position and performance of Redflow, and a discussion with management and the external auditors prior to their submission and recommendation to the Board;
- b. reviewing and assessing the effectiveness of management's programs and policies relating to, and discussing with the external auditors the adequacy and effectiveness of, Redflow's financial and reporting systems, and internal controls over these systems;
- c. reviewing any material changes in accounting or reporting requirements, and assessing subsequent effects on Redflow's financial statements and the Group's policies and practices;
- d. reviewing any judgements made by management in respect of accruals, provisions, estimates, or the application of accounting policies, which materially affect the financial statements, as well as other sensitive matters, such as disclosure of unusual, non-recurring, complex or related party transactions; and

- e. reviewing and discussing with senior management and the external auditors the process and the disclosures made in respect of the certifications given by the Managing Director and Chief Financial Officer with respect to the financial statements of the Group pursuant to the Corporations Act;

### **Engagement with External Auditors**

- f. reviewing with management the terms, including the scope of the external auditor's engagement in order to make recommendations to the Board concerning the appointment, re-appointment, rotation and removal of external auditors;
- g. reviewing and approving the terms of engagement and fees of external auditors;
- h. reviewing and assessing non-audit and assurance-related services to be provided by external auditors, with particular consideration to the potential of those services to impair external auditors' judgement or independence in respect of the Group;
- i. reviewing, assessing and approving the audit plans of the Group's external auditors;
- j. reviewing and assessing the planned audit scope evaluating how the auditor will consider controls relevant to the preparation and fair presentation of the financial report;
- k. reviewing the summary management report prepared by external audit, including the significant findings and responses of management; and assessing any significant recommendations of the auditors to strengthen the internal controls and reporting systems of the Group;
- l. periodically meeting with the external auditors without the presence of management, to discuss the quality of the Group's accounting principles, material judgements, and any other matters that the Committee or external auditors deem appropriate;
- m. reviewing, assessing and monitoring management's responsiveness to external audit findings;
- n. assessing and monitoring the performance and effectiveness of the Group's external auditors, including an assessment of auditor independence in accordance with regulatory requirements; and
- o. monitoring compliance by the external auditor with the independence requirements imposed by the Corporations Act and will receive and review the Auditor's Independence Declaration to be provided to the Directors of Redflow by the external auditor pursuant to section 307C of the Corporations Act; and
- p. prior to the annual approval of the Directors' Report, pass a resolution to provide the Board with the written advice required by section 300(11D)(a) of the Corporations Act relating to:
  - i. 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
  - ii. 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.

### **Internal Controls and Risk Management**

- q. reviewing management and internal audit reports on the effectiveness of the internal control, risk management systems and management of material business risks;
- r. reviewing and assessing during the course of the year the effectiveness of the internal controls, policies, programs, guidelines and procedures which form Redflow's risk management framework reporting systems and processes for managing risk and controlling their financial impact;
- s. reviewing and assessing management's oversight of Redflow's operations and risk; and
- t. reviewing and recommending to the Board those risk management, reporting and governance policies which require Board approval;

## **Legal and Regulatory Compliance**

- u. reviewing and assessing the effectiveness of Redflow's compliance program in ensuring compliance with relevant regulatory and legal requirements;
- v. reviewing and assessing the effectiveness of internal processes for ensuring compliance with Redflow's policies and procedures; and
- w. obtaining regular updates from the Company Secretary and other management, as appropriate, regarding any material litigation and any material risks relating to Redflow's compliance with statutory requirements;

## **Other Areas of Responsibility**

- x. overseeing the process for the receipt, retention and treatment of information received from "whistleblowers" and procedures for complaints regarding matters relating to audit, financial statements, internal controls, misbehaviour, possible fraud or conduct that is in breach of Redflow's Code of Conduct;
- y. reviewing and assessing the adequacy of Redflow's insurances, including Directors' and Officers' Liability insurance at least annually;
- z. holding individual executive sessions with the Chief Financial Officer or other senior management to discuss matters with the Committee, as appropriate; and
- aa. performing any other duty or undertaking that the Board may request from time to time.

## **2. Structure and Composition**

2.1. The Committee will comprise of:

- a. only non-executive directors;
- b. at least three members;
- c. a majority of independent non-executive directors;
- d. members who have the necessary technical, accounting and financial expertise, as well as a sufficient understanding of the industry in which Redflow operates, for the purpose of discharging the role of the Committee effectively, and assessing and questioning information presented in Committee meetings; and
- e. at least one member who has relevant financial qualifications and experience.

2.2. The Chairman of the Committee will be appointed by the Board and must be an independent non-executive director who is not the Chairman of the Board.

2.3. The Board may determine the appointment and term of any member of the Committee at any time. Retirement and renewal of Committee members shall be reviewed on an ongoing basis by the Board.

2.4. Any directors of the Board who are not Committee members are entitled to attend Committee meetings and receive copies of the Committee papers.

2.5. It would be expected that the CEO and CFO attend all Committee meetings, unless requested otherwise by the Chairman of the Committee.

2.6. The Company Secretary will act as secretary for all meetings of the Committee. The Company Secretary will take minutes, distribute these to Committee Chairman for comment and have these approved by the Committee at its next meeting.

2.7. The minutes of each Committee meeting will be tabled as part of the Board papers for the next Board meeting occurring after the minutes have been approved by the Committee.

## **3. Meetings**

- 3.1. The Committee will meet at least four times annually, and will hold additional meetings as it deems necessary.
- 3.2. At a meeting of the Committee, the number of Committee members whose presence is necessary to constitute a quorum will be two.
- 3.3. Any member of the Committee, the Chief Financial Officer or the auditors may request the Committee Chairman to convene a meeting of the Committee at any time. That request will be in writing and include an outline of the purpose for that meeting.
- 3.4. The Committee Chairman will convene a meeting for a date no later than 21 days after receipt of that request.
- 3.5. The Committee Chairman is responsible for the conduct of all Committee meetings. Matters arising for determination at a Committee meeting must be decided by a majority of votes cast by the members present and entitled to vote on the matter. The Committee Chairman does not have a casting vote.
- 3.6. The Company Secretary is responsible for distributing meeting notices, agendas and Committee papers to members prior to each meeting.
- 3.7. The Committee will be responsible for developing an annual agenda, to ensure that the Committee reviews, assesses or reports (as applicable) on each of the areas for which it is responsible under this Charter.

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

- 4.1. The Committee has the authority to require:
  - a. the attendance of any management or employee of Redflow;
  - b. access to, and meeting with, the external and internal auditors without executives or management of the Group present; and
  - c. unrestricted and unfettered access to any information, document, report or material in the possession of any manager, employee or entity of the Group, and all employees and managers must comply with such requests from the Committee, subject to any legal requirements, including any fiduciary or statutory duties of Committee members.
- 4.2. The Committee may engage any independent legal, financial or other advice as it considers necessary to perform its responsibilities under this Charter, at Redflow's expense.

#### **5. Reliance**

- 5.1. The Committee members are entitled to rely on:
  - a. information or advice of management and employees of Redflow on matters within their area of responsibility; and
  - b. the advice of internal and external counsel and other experts on matters within their areas of expertise,provided that reliance is permitted by law.
- 5.2. Before a Committee member can rely on information or advice referred to in clause 5.1, the Committee member must be satisfied that:
  - a. there are no facts or circumstances that they are aware, or ought to be aware, which would deny reliance; and

- b. they have reviewed the information or advice, having regard to the member's knowledge of Redflow.

## **6. Reports to Board**

The Committee will keep the Board informed of its activities through the provision of the minutes and Committee Papers of each meeting. Additionally, the Committee Chairman will formally advise the Chairman of the Board of any matters or recommendations requiring the attention by the Board, and will ensure that the Board are made immediately aware of any matters brought to the attention of Committee Chairman, that may significantly impact the financial condition or reputation of the Group.

## **7. Review and Assessment**

- 7.1. The Committee will assess its effectiveness periodically and report on its findings to the Board. The Committee will also participate in a formal review every two years, as part of the Board and Committee review process.
- 7.2. The Committee will regularly review the Charter to ensure that it meets best practice standards, complies with the ASX Corporate Governance Principles and Recommendations, and meet the needs of the Company and the Committee.