

## **AUDIT & RISK COMMITTEE CHARTER**

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### **1.1 Membership**

The Committee will be appointed by the Board and will consist of a minimum of three members. The Committee must have a majority of independent Directors, all of whom must be Non-executive Directors.

The Board will appoint the Chair of the Committee. The Chair must be an independent Non- executive Director who is not the Chair of the Board.

The Board may appoint such additional Directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

It is intended that all members of the Committee should be financially literate and have familiarity with financial management, and the members between them should have the accounting, financial expertise and technical knowledge and a sufficient understanding of the industries in which the Group operates, to be able to discharge the Committee's mandate effectively. In addition, at least one member should have relevant qualifications and experience (ie be a qualified accountant or other finance professional with experience of financial and accounting matters).

The Company Secretary must attend all Committee meetings as minutesecretary.

### **1.2 Conduct of Meetings**

- (a) The quorum for any meeting shall be at least 2 members.
- (b) The Committee is to meet at least 4 times per year, with 2 meetings to coincide with the review of the half-yearly and annual accounts, and at such additional times the Chair may decide in order to fulfil its duties.
- (c) Attendance at Committee meetings by management will be at the invitation of the Committee.
- (d) Directors who are non-Committee members may attend any meeting of the Committee. The Committee may request that Directors who are non-Committee members are not present for all or any part of a meeting.
- (e) Committee members will be provided with papers by management in relation to the agenda items.

- (f) In relation to audit matters:
  - (i) The Group CEO and the Chief Financial Officer (CFO) are to be invited to attend meetings at the discretion of the Committee.
  - (ii) The external auditor will be asked to be present at meetings convened to review financial statements and the procedures leading to their preparation and at other times at the discretion of the Committee.
  - (iii) The internal auditor shall be present at all meetings subject to the discretion of the Committee.

In the absence of the Chair of the Committee, the Committee members must elect one of their number as Chair for that meeting.

### **1.3 Access to Resources, Management and Advisors**

The Committee is entitled to consult with expert advisers and seek their advice at the expense of the Company where it considers it necessary or appropriate to carry out its duties.

The Committee will have unlimited rights to access the internal and external auditors (with or without management present) and to senior management. The Committee will also meet separately with the internal auditors, external auditors and senior management from time to time as necessary.

The Committee shall have the authority of the Board to seek any information it requires from any officer or employee.

### **1.4 Reporting**

The Committee is to report on its meetings to the Board including any material matters arising out of its meetings and provide recommendations of the Committee to the Board for decision.

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee Chair, be presented at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and will be open at all times for inspection by any Director.

All Directors will be permitted, within the Board meeting, to request information of the Chair of the Committee or members of the Committee.

### **1.5 Overview of Role and Responsibilities**

The Committee's key responsibilities and functions are to:

- (a) Oversee the Company's relationship with the external auditor and the external audit function generally.
- (b) Oversee the Company's relationship with the internal auditor and the

internal audit function generally.

- (c) Oversee the preparation of the financial statements and reports.
- (d) Oversee the Company's internal controls and systems.
- (e) Manage the process of identification and management of financial and non-financial risk.
- (f) Oversee the information received and actions taken by the Company under the Company's whistleblower policy.

## **1.6 Role and Responsibilities – Audit and Corporate Reporting**

The following are intended to form part of the Committee's audit and corporate reporting responsibility:

### **(a) Financial Reporting**

#### ***(i) Accounting Policies***

- A. Review, and make recommendations to the Board, in relation to the appropriateness of the Company's accounting policies and principles and how those principles are applied.
- B. Ensure that accounting policies and principles are consistent with applicable Accounting Standards.
- C. Make enquiries of both the internal and external auditors in order to form a view on the appropriateness of the Company's accounting policies and principles.

#### ***(ii) Review of Financial Reports***

Review the Company's financial statements for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company.

#### ***(iii) Significant Estimates and Judgements and Unusual Transactions***

- A. Review, and make recommendations to the Board, in relation to the appropriateness of the accounting judgements or choices exercised by management in preparing the Company's financial statements.
- B. Assess the appropriateness of significant estimates in financial reports by evaluating the process management used in making material estimates and

judgements.

- C. Assess information provided by management in relation to any unusual transactions, including provisioning and abnormal charges and credits.
- D. Make enquiries of both the internal and external auditors in order to form a view of the basis of management conclusions and the reasonableness of their estimates.

**(iv) Quality of Financial Reporting**

- A. Assess information (including information provided by the internal and external auditors) that affects the quality of financial reports including:
  - 1) Actual and potential material audit adjustments;
  - 2) Financial report disclosures;
  - 3) Non-compliance with law; and
  - 4) Internal control issues.

**(v) Disclosure Processes for Financial and Corporate Reporting**

- A. Review the Company's corporate and financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes.
- B. Review and assess management processes for ensuring compliance with laws, regulations and accounting standards relating to external reporting.

**(vi) Recommendations on Financial Reports**

- A. Review the questionnaires and written statements from the Group CEO and the CFO.
- B. Make recommendations to the Board in relation to the approval of the financial statements based on the Committee's review and assessment of them.

**(b) Corporate Reporting**

Review the process to verify the integrity of any periodic corporate report the Company releases to the market that is not audited or reviewed by the external auditor.

(c) **Taxation**

Consider taxation issues and make recommendations to the Board as appropriate, based on information provided by management in relation to the Company's taxation obligations.

(d) **External Audit**

**(i) Appointment and Removal the of External Auditors**

- A. Review, and make recommendations to the Board on, the appointment, and where necessary, the removal, of the external auditor.
- B. Review, and make recommendations to the Board on, the rotation of the audit engagement partner.
- C. Closely examine any suggestions by management that the audit needs to be put out to tender.

**(ii) External Auditors Fees**

- A. Review the external auditors' fees in relation to the quality and scope of the audit, with a view to ensuring that an effective, comprehensive and complete audit can be conducted for the fee.
- B. At the start of each audit, agree the terms of engagement with the auditor.
- C. Review the external auditors' fees for non-audit work.

**(iii) Review of Audit Plan**

- A. Review the audit plan, discuss audit results and consider the implications of the external audit findings for the control environment, and invite the external auditor to participate in discussions as necessary.
- B. Review, and make recommendations to the Board in relation to, the scope and adequacy of the external audit particularly any identified risks, and where necessary, involve the external auditor.

**(iv) Monitoring Management Responses**

- A. Monitor management responses to the recommendations made by the external auditors in their half year and annual post audit Management Letters.
- B. Separately from management, discuss with the external auditor matters relating to the conduct of the audit, including the timeliness of its reporting, any difficulties encountered in the course of the audit work and any restrictions on the scope of activities or access to requested information.

**(v) Relationship with External Auditor**

- A. Meet with the external auditors from time to time without management present.
- B. The external auditors have an unrestricted right to discuss any issues they deem necessary with the Committee Chair or if deemed necessary by the external auditors the Chair of the Board.
- C. The internal audit function will not be undertaken by the external auditors.

**(vi) Auditor Independence and Provision of Non-Audit Services**

- A. Assess, and make recommendations to the Board in relation to, the independence of the external auditors on an annual basis, prior to commencement of the annual audit, in accordance with the Auditor Independence Policy attached to this Charter - "Annexure A".
- B. Ensure that the external auditors confirm that they have complied with all professional and regulatory requirements relating to auditor independence and also the Auditor Independence Policy.
- C. Having regard to the Auditor Independence Policy, assess any proposal for the external auditor to provide non-audit services and whether the provision of those services may compromise the external auditor's independence, and approve the provision of any non-audit services.
- D. Review the non-audit services provided by the external auditor to determine whether the Committee is satisfied that the provision of non-audit

services is compatible with the general standard of independence, and provide advice to the board regarding its conclusion and the reasons for the conclusion.

**(vii) Assessment of External Audit**

Evaluate the performance of the external auditor and the overall effectiveness of external audit function, including through the assessment of external audit reports and meetings with the external auditors.

**(e) Internal Audit**

**(i) Appointment and Removal of the Head of Internal Audit**

Review, and make recommendations to the Board on, the appointment, and where necessary, the removal, of the Head of Internal Audit, and ensure that person is suitably qualified to bring the requisite degree of skill, independence and objectivity to the role.

**(ii) Internal Audit Function**

- A. Review the internal auditor's engagement terms, and resourcing (including qualifications, skills, experience, funding and equipment).
- B. Communicate the Committee's expectations to the internal auditor in writing.

**(iii) Quality and Scope**

- A. Review the scope and adequacy of the internal audit program and approve the internal audit plan and work program.
- B. Receive reports from internal audit on its reviews of the adequacy of the Company' processes for managing risk and consider the implications of the findings of the internal audit report on the control framework.
- C. Ensure that the scope of the internal auditors work is co-ordinated with that of external audit.

**(iv) Objectivity of Internal Audit**

- A. Review the objectivity of the internal audit function.
- B. Monitor the independence of the internal audit programs from the external auditors and management.

**(v) Monitoring Internal Audit**

Monitor and evaluate management's response to internal audit's findings and recommendations.

**(vi) Assessment of Internal Audit**

- A. Evaluate the performance of the internal audit function.
- B. Ensure that at least once every three years that there is a process undertaken for monitoring and assessing the effectiveness of the internal audit function.

**(vii) Relationship with Internal Auditor**

- A. Meet with the internal auditors from time to time without management present.
- B. Ensure that there is a direct reporting line from the Head of Internal Audit to the Committee.
- C. The internal auditors have an unrestricted right to discuss any issues they deem necessary with both the Chair of the Committee and the Chair of the Board.

**(f) Whistleblower Policy**

The Committee will ensure the Company:

- (a) Has and discloses a whistleblower policy and maintains an external reporting service for the receipt of disclosures under the Company's whistleblower policy; and
- (b) Has implemented appropriate procedures for the handling and investigation of disclosures made under the whistleblower policy, including a requirement to report all disclosures made under the whistleblower policy to the Chair of the Committee.

**(g) Anti-Bribery and Corruption Policy**

The Committee will ensure the Company:

- (i) Has and discloses an anti-bribery and corruption policy; and
- (ii) Has implemented appropriate procedures for informing the Committee of any material breaches of that policy.



## 1.7 Role and Responsibilities – Risk

The Committee is responsible for assisting the Board with oversight of the Company's risk management framework.

The Committee shall consider any matters relating to the identification and management of material financial and non-financial risks and compliance with laws and regulations applicable to the Company. In addition, the Committee shall examine any other risk-related matters referred to it by the Board.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing circumstances. The Committee shall take the appropriate actions to set the overall corporate 'tone' for managing risk and complying with applicable laws and regulations.

The main responsibilities of the Committee in relation to risk are:

- (a) Make recommendations to the Board in relation to the appropriate risk appetite for the Company and its subsidiaries.
- (b) Review reports from management on new and emerging sources of financial and non-financial risk and the risk controls and mitigation measures that management has put in place to deal with those risks.
- (c) Oversee, evaluate and make recommendations to the Board in relation to, the adequacy and effectiveness of the risk management framework and the risk management systems and processes in place, and be assured and in a position to report to the Board that all material risks (including environmental risks and social risks, if any) have been identified and appropriate policies and processes are in place to manage them.
- (d) Monitor management's performance against the Company's risk management framework, including whether it is operating within the risk appetite set by the Board.
- (e) Monitor the implementation of corporate and business unit risk management plans.
- (f) Review and approve management's annual report on the effectiveness of the risk management systems and internal control framework.
- (g) Review, at least annually, 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. Report to the Board regarding its review and any recommended changes proposed to the Company's risk management framework.
- (h) Review, and make recommendations to the Board in relation to, the Company's insurance program and other risk transfer arrangements having regard to the Company's business and the insurable risks associated with it, and be assured that appropriate coverage is in place.
- (i) Monitor compliance with applicable laws and regulations, review the

procedures the Company has in place to ensure compliance and be assured that material compliance risks have been identified.

- (j) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding fraud or non-compliance with applicable laws and regulations and the confidential, anonymous submission by employees of the Company of concerns regarding questionable business practices.
- (k) Review, and make recommendations to the Board in relation to, any incidents involving fraud or other break down of the Company's internal controls and lessons learned.

## **1.8 Review**

The Committee will undertake an annual performance review to review the membership and Charter of the Committee and make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

## Annexure A - Auditor Independence Policy

### Auditor Independence

Seven Group Holdings Limited ("**SGH**") recognises the importance and role of the statutory auditor and the need for the statutory auditor to be independent and free from conflicts. An independent auditor provides significant benefits to the Board and shareholders of SGH.

The intention of the guidelines is to ensure that the best use is made of the knowledge and experience of SGH's statutory auditor ("**External Auditor**"), without impacting on their ability to exercise objectivity and impartial judgment on all audit issues.

The Audit and Risk Committee ("**the Committee**") recognises that there are instances where the provision of services, other than statutory audit services, by the External Auditor is appropriate. SGH may engage the External Auditor for use of such services where it makes best use of the knowledge the External Auditor has and results in the most efficient and cost effective process for SGH.

The External Auditor is engaged by SGH to provide Integrated Assurance services consisting of the statutory audit of SGH and its controlled subsidiaries for the Australian Securities Exchange ("**ASX**") and local statutory reporting purposes and associated system and control reviews.

### General Provisions

The Committee should formally consider the independence of the External Auditor each year, prior to the commencement of the annual audit. To enable this to occur, the following information should be presented to the Committee for their consideration.

- An annual declaration from the External Auditor that they are independent, having regard to their policies, professional rules and relevant statutory requirements regarding Auditor independence;
- An annual summary of audit and non-audit fees earned by the External Auditor in the preceding twelve months; and
- Details of the proposed audit fees for the current year audit.

The Committee should satisfy itself that, based on the information presented, the External Auditor remains independent.

The Committee should monitor the ongoing independence of the External Auditor at each of its quarterly meetings. During each of these meetings, the External Auditor should be asked to report:

- All material non-audit services provided – details of the service provided and fee earned; and
- Any material variations to the proposed audit fee, noted above. This information should be confirmed by the Chief Financial Officer.

The Committee should ensure that the appropriate External Auditor partner(s) shall be rotated every five years (or as often as required according to applicable professional standards and regulatory requirements).

### Non-Audit Services

As a general principle, the External Auditor should not be engaged to provide non-audit services to the Company that may materially conflict with its ability to exercise objective and impartial judgment on all issues encompassed within their Audit engagement.

The over-riding principle to be applied is that the External Auditor should not be engaged to provide non-audit services when it is likely that they may be required to evaluate the processes and/ or the outcome in the course of their audit.

There are however times when the External Auditor may provide non-audit services to the Company and it is efficient and desirable to do so. The following services may be provided by the External Auditor:

Due diligence on proposed transactions;

Accounting advice;

Review of processes and internal control environment;

Review of financial information where third party verification is required;

Taxation advice; and/ or

Liquidation of internal legal entities which do not have a material impact of the Group financial statements.

Specific examples of services that may impair the External Auditor's objectivity and judgment and therefore are **not allowed** include:

- Bookkeeping related services;
- Certain corporate finance services for example – valuation or appraisal services in relation to matters that are material to the audit;
- Legal services where the External Auditor is acting as an advocate for SGH;
- Executive management recruitment or secondment services;
- Design and implementation of financial information technology systems; and/ or
- Acting or assisting in the resolution of major dispute or litigation.

Additionally, any engagement of the External Auditor to provide non-audit services must be approved by the Group Chief Financial Officer. Where the fee for a proposed engagement of the External Auditor to provide non-audit services exceeds \$100,000 or the annual fees for all non-audit services exceed, or are likely to exceed, 50 per cent of the External Auditor's annual audit fee, the approval of the Chair of the Audit & Risk Committee is also required.

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Charter updated in August 2019.