

## **1 INTRODUCTION TO THE CHARTER**

### **1.1 General**

1.1.1 This Audit and Risk Committee Charter sets out the principles governing the Audit and Risk Committee of the Board of LongReach Group Limited.

### **1.2 Board Approval**

1.2.1 The Board has approved this Audit and Risk Committee Charter. The Board may approve updates and amendments to this Audit and Risk Committee Charter from time to time.

### **1.3 Definitions**

1.3.1 Unless the contrary intention is expressed in this Charter, the following words (when used in this Audit and Risk Committee Charter) have the meaning set out below:

- Board means the Board of Directors of LongReach Group Limited from time to time.
- Company means LongReach Group Limited, ABN 57 010 597 672 having its registered office at 31 Market Street, South Melbourne, Victoria, Australia 3205.
- Group means the Company and its subsidiaries.

## **2 ROLE OF THE AUDIT AND RISK COMMITTEE**

2.1 The primary objective of the Audit and Risk Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to financial accounting practices, risk management, internal control systems, external reporting and the internal and external audit function.

2.2 Specifically, the Audit and Risk Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to this Charter in order to facilitate decision making by the Board.

2.3 The Audit and Risk Committee has responsibility to ensure the independence of the external auditors and will periodically assess this independence by considering the relationships and services provided by the external auditors and others that may lead to actual or perceived lack of independence.

### 3 DUTIES AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has the duties and responsibilities relevant to its role including:

#### 3.1 General

- 3.1.1 Overseeing and appraising the coverage and quality of the audits conducted both by the Group's internal and external auditors;
- 3.1.2 Maintaining open lines of communication among the Board, the internal auditors and the external auditors to exchange views and information, as well as confirm the auditors' respective authority and responsibilities;
- 3.1.3 Reviewing (on an independent and objective basis) the financial information to be presented by management to shareholders, regulators and the general public;
- 3.1.4 Reviewing the adequacy of internal controls of the Group;
- 3.1.5 Recommending and reviewing the risk management practices adopted across all material aspects of the Group's operations;

#### 3.2 Financial Accounting Compliance

- 3.2.1 Evaluating:
  - a) the adequacy and effectiveness of the Group's administrative, operating and accounting policies, including active communication with management, internal auditors and external auditors;
  - b) the adequacy of the Group's management information and accounting control system by reviewing written reports from the internal and external auditors, and monitoring management's responses and actions to correct any noted deficiencies;
  - c) the Group's exposure to fraud;
- 3.2.2 Monitoring:
  - a) management's due attention to ethical considerations regarding the Group's policies and practices;
  - b) the standard of corporate conduct in areas such as arm's-length dealings and potential conflicts of interest;
- 3.2.3 Requiring reports from management, the internal auditors and external auditors on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Group's financial reporting process;
- 3.2.4 Identifying and directing any special projects or investigations deemed necessary;

### **3.3 Risk Management**

- 3.3.1 Evaluating the internal processes for identifying, assessing, monitoring and managing key risk areas;
- 3.3.2 Requiring reports at least every six months;
- 3.3.3 Advising the effectiveness of the Group's implementation of the risk management system, including advice that management have confirmed the proper operation of agreed risk mitigation strategies and controls;
- 3.3.4 Detailing material financial and non financial risk profiles;
- 3.3.5 Monitoring the effectiveness of the Group's risk management, internal controls and reporting systems;
- 3.3.6 Approving the provision of risk management services by external providers;

### **3.4 External Reporting**

- 3.4.1 Reviewing:
  - a) all financial and regulatory reports prior to their public release and recommending acceptance to the Board;
  - b) any correspondence from regulators and others regarding the Group's financial reporting and related matters and monitoring management's response to them;
  - c) the appropriateness and integrity of the Group's accounting policies and financial reporting disclosures and approving all significant changes to them;
  - d) significant transactions outside the Group's ordinary course of business;
  - e) any Appendix 4C quarterly reports, the half-yearly and annual financial statements and reports with the Managing Director and/or Chief Executive Officer, the Chief Financial Officer and the external auditors and recommend acceptance to the Board;
  - f) the process adopted by the Managing Director and/or Chief Executive Officer and the Chief Financial Officer leading to their written confirmation to the Board that:
    - 1) the consolidated financial report presents a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with relevant accounting standards; and
    - 2) it is founded on a sound system of risk management and internal compliance and control and that this system is operating efficiently and effectively in all material respects;
  - g) any Appendix 4C quarterly reports, the half-yearly and annual formal announcement of results to the Stock Exchange, with the Managing Director and/or Chief Executive Officer, the Chief Financial Officer and the external auditors, and recommend acceptance to the Board;
  - h) major outstanding contingent liabilities, including existing and potential legal actions against the Group or the Board.

## AUDIT AND RISK MANAGEMENT CHARTER

### 3.5 Internal Audit

- 3.5.1 Recommending to the Board the appointment (and, where appropriate, replacement) of the internal auditors;
- 3.5.2 Reviewing:
  - a) the adequacy of the resources and organisation of the internal audit function;
  - b) and approving the annual internal audit plan and fee and reasons for subsequent variations. The plan will reflect coverage of key risk areas;
- 3.5.3 Monitoring:
  - a) the progress of the internal audit program and, together with any additional investigative reviews, considering the implications for the control environment;
  - b) the implementation of agreed action plans by management;
- 3.5.4 Evaluating the overall effectiveness of the internal audit;
- 3.5.5 Determining that no restrictions are being placed upon the internal auditors;
- 3.5.6 Reviewing reports from the internal auditors detailing their key findings and agreed management actions;

### 3.6 External Audit

- 3.6.1 Recommending to the Board the nomination (and where appropriate, replacement) of the external auditors;
- 3.6.2 Reviewing:
  - a) and approving the external audit plan and fee and reasons for subsequent variations;
  - b) reports prepared by external auditors;
- 3.6.3 Evaluating the overall effectiveness and independence of the external audit.

#### 3.6.1 Relationship with the External Auditors

- 3.6.1.1 The external auditors have an unrestricted right to discuss any issues they deem necessary with the Chairman of the Audit and Risk Committee or, if deemed appropriate by the external auditors, with the Chairman of the Board.
- 3.6.1.2 The Audit and Risk Committee will require the external auditors to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.
- 3.6.1.3 The Board has agreed that they will not invite any past or present lead audit partner of the firm currently engaged as the Group's external auditor to fill a vacancy on the Board.
- 3.6.1.4 The lead audit partner will be required to rotate off the audit after their involvement for a maximum of five years and there will be a period of at least five years before that partner can again be involved in the Group's audit.
- 3.6.1.5 The internal audit function, if outsourced, will be provided by a firm other than the external audit firm.
- 3.6.1.6 The Audit and Risk Committee will meet at least once annually with the external auditors, in the absence of management, and on any occasion during the year as requested by either the Chairman of the Audit and Risk Committee or the external auditors. It is expected that the external auditors will immediately contact the Chairman of the Audit and Risk Committee if management has placed restrictions on access by the external auditors or there are significant unresolved issues between management and the external auditors.

3.6.1.7 The Audit and Risk Committee will request the external auditors to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

**3.6.2 Provision of Non-Audit Services by External Auditors**

3.6.2.1 As specified in Section 2, the Audit and Risk Committee has responsibility to ensure the independence of the external auditors and will periodically assess this independence by considering the relationships and services provided by the external auditors and others that may lead to actual or perceived independence or lack of independence. In this regard, the following guidelines have been agreed.

3.6.2.2 The external auditors:

- a) Shall not provide services that are considered to be in conflict with the role of the statutory auditor. These services include those where the auditor may ultimately be required to express an opinion on its own work, and in particular:
  - 1) bookkeeping or other services relating to the accounting records or financial statements;
  - 2) financial information systems design and implementation;
  - 3) appraisal or valuation services and fairness opinions;
  - 4) actuarial services;
  - 5) internal audit outsourcing functions;
  - 6) management functions or human resources;
  - 7) broker or dealer, investment adviser or investment banking services; and
  - 8) legal services and expert services unrelated to the audit;
- b) May be permitted to provide non-audit services that are not perceived to be in conflict with the role of the auditor where their detailed knowledge of the Group's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, based on recommendations from management must be first approved by the Chairman of the Audit and Risk Committee, who will consult with the other members of the Audit and Risk Committee, the external auditors and management, as appropriate.

3.6.2.3 The Audit and Risk Committee will recommend to the Board the appropriate disclosure in the Annual Accounts of the full details of fees paid to the external auditors including an analysis of non-audit services.

**3.7 Other Responsibilities**

3.7.1 The Audit and Risk Committee will perform other oversight functions as expressly requested by the Board.

## **4 COMPOSITION AND STRUCTURE OF THE AUDIT AND RISK COMMITTEE**

### **4.1 Composition**

4.1.1 The Audit and Risk Committee will comprise at least three members appointed by the Board which shall include the Chief Financial Officer. The Board will appoint one of these members (other than the Chairman or the Chief Financial Officer of the Company) as the Chairman of the Audit and Risk Committee.

4.1.2 Members will be financially literate, or become financially literate within a reasonable period of time after their appointment to the Audit and Risk Committee. Members will also have a good knowledge of the key businesses the Group operates.

### **4.2 Removal or Resignation**

4.2.1 With the exception of the Chief Financial Officer, if a member of the Audit and Risk Committee ceases to be a director of the Company, that member ceases to be a member of the Audit and Risk Committee. The Board may remove a member of the Audit and Risk Committee.

### **4.3 Access to Employees and Other Persons**

4.3.1 The Audit and Risk Committee may:

- a) Access any employee or other individual and ask questions relating to Audit and Risk Committee matters and may have access to all relevant records;
- b) Access internal and external auditors and may have access to all relevant records; and
- c) Invite any employee or other individual to attend a meeting of the Audit and Risk Committee,

as the Audit and Risk Committee considers appropriate.

### **4.4 Secretary**

4.4.1 The Chairman of the Audit and Risk Committee will be responsible for the administration of the Audit and Risk Committee's affairs and for determining the agenda for each meeting.

## **5 MEETINGS OF THE AUDIT AND RISK COMMITTEE**

### **5.1 Frequency**

5.1.1 The Audit and Risk Committee will meet as frequently as required but not less than twice a year.

5.1.2 The Audit and Risk Committee may call such additional meetings as the Chairman of the Audit and Risk Committee decides are necessary for the Audit and Risk Committee to fulfil its duties.

5.1.3 In addition, the Chairman of the Audit and Risk Committee is required to call a meeting of the Audit and Risk Committee when requested to do so by an Audit and Risk Committee member, the Managing Director and/or Chief Executive Officer, the Chief Financial Officer, the internal auditors or the external auditors.

5.1.4 The Audit and Risk Committee will meet in the absence of management, with the external auditors and/or internal auditors, when considered relevant by the Chairman of the Audit and Risk Committee.

**5.2 Minutes of Meetings**

- 5.2.1 The Audit and Risk Committee Chairman will be responsible for keeping and circulating the minutes of Audit and Risk Committee meetings. The minutes of Audit and Risk Committee meetings will be approved by the Audit and Risk Committee and signed by the Chairman of the Audit and Risk Committee.
- 5.2.2 Minutes will be circulated to all Directors of the Company after each Audit and Risk Committee meeting.

**5.3 Meeting Attendance**

- 5.3.1 Unless otherwise directed by the Board, the Managing Director and/or Chief Executive Officer and the Chief Financial Officer will attend each meeting. Representatives of the internal and external auditors and any other employee will also attend at the discretion of the Audit and Risk Committee.

**5.4 Quorum and Voting**

- 5.4.1 A quorum will comprise any two Audit and Risk Committee members. In the absence of the Chairman of the Audit and Risk Committee, the members will elect one of their number as Chairman for that meeting.
- 5.4.2 Each member will have one vote and the Chairman of the Audit and Risk Committee will not have a second or casting vote.

**6 REPORTING TO THE BOARD**

- 6.1 The Audit and Risk Committee will as is appropriate, on a timely basis:
  - a) Update the Board about Audit and Risk Committee activities and make recommendations; and
  - b) Ensure the Board is aware of matters that may significantly impact the financial condition or affairs of the business.

**7 INDEPENDENT EXTERNAL ADVICE**

- 7.1 The Audit and Risk Committee or an individual Audit and Risk Committee member may engage an independent external adviser in relation to any Audit and Risk Committee matter, at the expense of the Company. Before the external advice is sought, consent must be obtained from the Chairman of the Audit and Risk Committee.
- 7.2 The Chairman of the Audit and Risk Committee may determine that any external advice received by an individual Audit and Risk Committee member be circulated to the other Directors of the Company.

**8 ASSESSMENT AND EVALUATION OF AUDIT AND RISK COMMITTEE PERFORMANCE**

- 8.1 The Audit and Risk Committee will regularly complete a performance evaluation of the Audit and Risk Committee and assess the performance of the Audit and Risk Committee against the requirements of the Audit and Risk Committee Charter.
- 8.2 The Board will regularly evaluate the operations of the Audit and Risk Committee.

## AUDIT AND RISK MANAGEMENT CHARTER

### **9 ACCESS TO THIS AUDIT AND RISK COMMITTEE CHARTER**

- 9.1 This Audit and Risk Committee Charter will be available for viewing by any person on the Company's website or a copy will be sent upon request.

### **10 REVIEW OF THE AUDIT AND RISK COMMITTEE CHARTER**

- 10.1 The Audit and Risk Committee Charter is subject to regular review and will be amended (as appropriate) to reflect current best practice in corporate governance and the duties and responsibilities of Audit and Risk Committees. In accordance with the requirements of the Board Charter, the Board will regularly review the Audit and Risk Committee Charter.