



AUDIT AND RISK COMMITTEE CHARTER

1. PURPOSE

- 1.1 The primary function of the Audit and Risk Committee ("Committee") is to assist the Board to carry out the following:
- (i) review and monitor the integrity of the Company's financial reports and statements;
 - (ii) review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal control;
 - (iii) review whether the Company is in compliance with relevant laws and regulations; and
 - (iv) monitor the performance and independence of the external auditor.
- 1.2 The Committee is responsible for considering the risk management processes, internal controls and compliance systems within the Company.
- 1.3 In regard to financial statements, the Committee is responsible for reviewing the consolidated accounts of the Company.
- 1.4 A secondary function of the Committee is to perform such special reviewed and investigations as the Board may consider necessary
- 1.5 To the extent practicable, the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (the **Recommendations**).

2. MEMBERSHIP

- 2.1 Members, including the Chairman of the Committee, are appointed by the Board.
- 2.2 The Committee should consist of:
- (i) only non-executive directors (where possible);
 - (ii) a majority of independent directors (where possible);
 - (iii) at least three members;
 - (iv) members who are financially literate (that is, be able to read and understand financial statements);
 - (v) at least one member with relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters); and
 - (vi) at least one member with an understanding of the industry in which the Company operates.
- 2.3 The Chairman of the Committee should be an independent non-executive director (where possible), who is not the Chairman of the Board.
- 2.4 The effect of ceasing to be a director of the Board is the automatic termination of appointment as a member of the Committee.

3. RESPONSIBILITIES

3.1 Financial Reporting

In assisting the Board, the Committee will:

- (i) review half-year and annual financial reports and statements with management and the external auditor to determine whether the reports otherwise provide a true and fair view of the financial position and performance of Company;
- (ii) review and make recommendations to the Board regarding significant financial, accounting (including estimates and judgements) and reporting issues;
- (iii) receive signed declarations from the Managing Director (or equivalent) and Chief Financial Officer (or equivalent) provided in accordance with section 295A of the *Corporations Act 2001* (Cth).

3.2 External Audit

In relation to the external auditor, the Committee should:

- (i) annually consider the appointment of the external auditor, including whether an audit tender process is required. Any subsequent recommendation on the appointment of the external auditor is put to the Board. If a change is approved it will be put forward to shareholders for their approval;
- (ii) consider the rotation of the audit engagement partner;
- (iii) review and approve the terms of engagement and fees of the external auditor at the start of each audit;
- (iv) consider and review the scope of work, reports and activities of the external auditor;
- (v) review the findings of the audit with the external auditor;
- (vi) establish and review policies as appropriate in regards to independence of the external auditor;
- (vii) assess the independence of the external auditor based on the information received from the external auditors and management. In assessing independence, the Committee should consider:
 - (a) policies on the supply of non-audit services by the external auditor;
 - (b) the fees for audit and non-audit services provided by the external auditor on a regular basis;
 - (c) the rotation of audit partners; and
 - (d) the external auditor's own statement on independence;
- (viii) review the performance of the external auditors taking into account the opinions of management; and
- (ix) engage the auditor to attend the Annual General Meeting and be available to answer questions of the shareholder relevant to the audit.

3.3 Risk Management, Internal Audit Function and Internal Control

The Committee will:

- (i) review the Company's risk framework for identifying, monitoring and managing significant business risks;
- (ii) consider the effectiveness of the Company's internal control system including the adequacy of the Company's corporate reporting processes;

- (iii) monitor the need for a formal internal audit function and its scope;
- (iv) assess the performance and objectivity of any internal audit procedures that may be in place;
- (v) oversee procedures for whistleblower protection;
- (vi) assess and approve any deviation or waiver from the Code of Conduct, as contemplated by the Recommendations, and to the extent that such deviation or waiver does not result in any breach of law; and
- (vii) monitor management's response to reviews and recommendations of the external auditors regarding internal control systems and procedures.

3.4 Insurance Program

The Committee will review the Company's insurance program at least annually having regard to the Company's business and the insurable risks associated with the Company's business.

3.5 Compliance

The Committee will:

- (i) review the Company's compliance framework for identifying, monitoring and managing compliance with laws and regulations;
- (ii) obtain regular updates from management regarding compliance matters in relation to the Company's compliance with significant statutory requirements; and
- (iii) consider the findings of any examinations by regulatory bodies.

4. REPORTING

- 4.1 The Committee reports to the Board.
- 4.2 The external auditor reports to the Committee and the Board.

5. ACCESS TO INFORMATION AND ADVICE

- 5.1 The Committee will have unrestricted access to all records and staff of the Company and the external auditors.
- 5.2 The Committee may take independent legal, accounting or other professional advice or assistance, at the reasonable expense of the Company, in carrying out its functions. Unless a conflict exists or to do so would be inconsistent with the Committee's duties, the Committee may request such information, advice or assistance via the Chairman of the Committee.

6. MEETINGS AND ATTENDANCE

- 6.1 The Committee should meet at least two times per year (or as often as the Chairman of the Committee determines necessary).
- 6.2 The Chairman of the Committee will call a meeting of the Committee if so requested by any member of the Committee, the external auditor or by the Chairman of the Board.

- 6.3 A quorum shall be any 2 members.
- 6.4 Should the Chairman of the Committee be absent from the meeting, the members of the Committee present at the meeting have the authority to choose one of their number to chair that particular meeting.
- 6.5 Attendance by members at committee meetings will be disclosed in the annual report.
- 6.6 As necessary or desirable, the Chairman may invite members of management, representatives of the external auditors and/or other external advisors to be present at meetings of the Committee. Board members may attend any meeting of the Committee.
- 6.7 The Company Secretary of the Company will be the secretary of the Committee.
- 6.8 Proceedings of all meetings will be minuted by the secretary, approved by the Committee and signed by the Chairman of the meeting. Minutes of meetings will be tabled at Board meetings.

7. REVIEW OF CHARTER

The Board will review this Charter from time to time to ensure it remains consistent with the Board's objectives and responsibilities.

8. PUBLICATION OF CHARTER

This Charter will be available on the Company's website and the key features will be published in the corporate governance statement.

9. VERSION CONTROL

Version	Date	Changes
1.0	30 June 2010	First version of policy
2.0	30 September 2015	General review and update
3.0	28 June 2019	General review and update

Approved by the Board of Carly Holdings Limited on 28 June 2019.