

Audit and Risk Management Committee Charter

Emperor Range Group Limited **(Company)**

Release 1

Approved by the Board: 26 Nov 2013

1. Overview

- 1.1. Emperor Range Group Limited's **(Company)** board **(Board)** has established the Audit and Risk Management Committee **(Committee)**.
- 1.2. This Charter sets out the responsibilities, structure and composition of the Committee.

2. Role and Objective

- 2.1. The Primary objective of the Committee is to ensure:
 - 2.1.1. effective management of financial and other material business risks;
 - 2.1.2. reliable management and financial reporting, including half and full year accounts;
 - 2.1.3. compliance with laws and regulations; and
 - 2.1.4. maintenance of an independent, effective and efficient audit.

3. Composition

- 3.1. The Committee will consist of at least three Members. All Members must be Non-Executive Directors and, when possible, a majority of members must be Independent Directors. The Board will appoint members to the Committee in consultation with the Chairperson of the Committee. The Board should be of a size that allows it to discharge its duties.
- 3.2. The Board will set the term of the appointments, revocation and remuneration of members to the Committee. The Nomination Committee, if established, will appoint Committee Members and the Committee Chairperson. If a Nomination Committee has not been established, the Board will appoint Members to the Committee.
- 3.3. All Members will possess the requisite knowledge to discharge their responsibilities to the Audit Committee. All members must have appropriate business expertise and at least one member will be a qualified accountant or other finance professional with experience of financial or accounting matters. At least one member should have a thorough understanding of the industry in which the Company operates.
- 3.4. If possible, the Chairperson of the Committee will be an independent director and will not be the same person as the Chairperson of the Board. If the Chairperson of the Committee is absent at a meeting, another member of the Committee will act as the Chairperson for that meeting and, if possible, this person must be an independent director.

4. Meetings

- 4.1. All Committee members should attend the Committee meetings. At least four meetings per year must be undertaken, but more may be held when necessary.
- 4.2. The Committee should keep minutes of all meetings and these should ordinarily be included in the papers for the next board meeting after each Committee meeting.

- 4.3. The Committee must meet with external auditors at least twice a year without management being present.
- 4.4. The Chairperson or any member may convene a meeting. Only members of the Committee will be entitled to attend, unless invited by the Committee. The Committee may invite members of management, auditors, and other parties to join the meeting.
- 4.5. Unless stated in the Company's Constitution, the quorum at meetings of the Committee will be two members present at all times.
- 4.6. External auditor's reports on the progress and/or findings of the audit will be a standing agenda of the Committee.

5. Authority and Access

- 5.1. The Committee has the authority to commission any investigation into matters within the scope of its responsibility. The Committee has the authority to:
 - 5.1.1. acquire any external independent advice (legal, financial or other) required in the discharge of the committee's responsibilities ;
 - 5.1.2. pre-approve all audit and non-audit services;
 - 5.1.3. obtain specific financial and other information from the employees of the company and has access to all records of the company;
 - 5.1.4. in fulfilling its duties, be able to communicate freely with external auditors and other parties without management present; and
 - 5.1.5. act in a mediation role for disputes between management and auditor on financial reporting and other issues.

6. Reporting

- 6.1. The Committee reports to the Board. At the first Board meeting after each Committee meeting, the Committee must report on the proceedings and outcome of the Committee meeting and include a report of the following if relevant:
 - 6.1.1. an assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
 - 6.1.2. assessment of the management processes supporting external reporting;
 - 6.1.3. procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - 6.1.4. recommendations for the appointment or removal of an auditor;
 - 6.1.5. assessment of the performance and independence of the external auditors and whether the audit committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
 - 6.1.6. the Company's process for monitoring compliance with laws and regulations;
 - 6.1.7. review and report to the Board on the annual and half year reports and financial statements;

- 6.1.8. assessment of the performance and objectivity of any internal audit function; and
- 6.1.9. the results of its review of risk management and internal compliance and control.
- 6.2. The Committee must advise the Board about the appropriate material and disclosures to be included in the relevant sections of the Company's annual report.
- 6.3. The Committee must ensure that the Board is provided with sufficient information to ensure informed decision making in relation to those areas in which the Committee is responsible for reporting to the Board.

7. Duties and Responsibilities

- 7.1. The responsibilities of the Committee and its members are outlined below. The preceding sections are not intended to cover all responsibilities.

Financial Reports

- 7.2. Information provided in the reports prepared by management for release to the public, regulatory bodies, or other groups, must be reviewed by the Committee prior to issue. The Committee will make recommendations to the Board and have regard to:
 - 7.2.1. relevant Accounting Policies and practices and their compliance;
 - 7.2.2. rationale and conclusions applied to subjective matters, or where significant judgment is needed (e.g. classification of leases);
 - 7.2.3. the appraisal of complex or unusual transactions;
 - 7.2.4. completeness and accuracy of reports and the relevant presentation requirements;
 - 7.2.5. whether the issue of materiality is correctly taken into consideration;
 - 7.2.6. the propriety of related party transactions between the Company and Directors/Management;
 - 7.2.7. issues raised by internal or external audit and the response management has taken.

Internal Control

- 7.3. In relation to the internal control of the Company the Committee must:
 - 7.3.1. understand the control environment of the Company;
 - 7.3.2. monitor compliance and effectiveness of the internal control mechanisms; and
 - 7.3.3. assess if improvement is required; and
 - 7.3.4. satisfy itself and the board that management had developed and implemented a sound system of internal control.

Risk Management

- 7.4. In relation to Risk Management (including legal, financial and commercial risks) the committee must at a minimum:

- 7.4.1. assess and report to the board on the risks exposed to the company are identified and appropriately dealt with (including material business risks that could have a material impact on its business as identified by the Company's risk management system);
 - 7.4.2. assess and report to the board on risk management policies and internal control systems are effective in managing the Company's material business risks;
 - 7.4.3. assess and report to the board on the time risks are dealt with;
 - 7.4.4. assess and report to the board on factors which bear upon the company's continued good standing with its stakeholders (which may include shareholders, employees, customers, suppliers, creditors, consumers and the community);
 - 7.4.5. assess and report to the board whether the Company's risk management policies clearly describe the roles and accountabilities of the board and its committees, management and any internal audit functions;
 - 7.4.6. report to the Board about significant business risks and how the Company can or are mitigating them;
 - 7.4.7. assess and report to the board on the procedures implemented to prevent fraud; and
 - 7.4.8. establish policies for the oversight and management and management of material business risks and disclose a summary of these policies
- 7.5. In addition to the above requirements all findings should be disclosed to the board.

Internal Audit

- 7.6. In relation to the Internal Audit of the Company the Committee must, at a minimum:
- 7.6.1. review the internal audit plan with management and the internal auditor(s);
 - 7.6.2. review the performance and size of internal audit;
 - 7.6.3. ensure the internal audit plan corresponds to the risks the Company faces;
 - 7.6.4. assess the performance and objectivity of the internal audit function;
 - 7.6.5. recommend the appointment, or if necessary, the dismissal of the head of internal audit;
 - 7.6.6. meet with management and internal audit on a regular basis; and
 - 7.6.7. assess compliance with relevant accounting standards.

External Audit

- 7.7. The Committee has the responsibilities in relation to the External Audit of the Company including, but not limited to:
- 7.7.1. selecting the external auditors, and recommending of the appointment, re-appointment or removal of external auditors;
 - 7.7.2. reviewing the performance of external auditors, both at completion of the audit and throughout the process;
 - 7.7.3. setting the scope of the audit, and review the level of materiality set.

- 7.7.4. ensuring the Company remains independent from external audit throughout the auditor's engagement;
- 7.7.5. assessing the extent of non-audit services provided by the external auditors and the impact on independence;
- 7.7.6. providing the board with information on the outcome of the audit and any other specific issues;
- 7.7.7. monitoring compliance with all legal requirements in regard to the provision of audit services;
- 7.7.8. meeting with the external auditors, without management present, and discuss any audit issues that either party believes should be discussed privately.

Compliance

- 7.8. In relation to compliance, the Committee is charged with the responsibility to:
 - 7.8.1. appraise the effectiveness and completeness of the procedures to monitor compliance with relevant laws, regulations, and recommendations;
 - 7.8.2. review findings of regulatory and accreditation bodies, and determine practices to facilitate a high standard of compliance;
 - 7.8.3. maintain a register of complaints regarding breaches (or potential breaches) of laws, regulations or compliance requirements; and
 - 7.8.4. consult regularly with management and legal counsel on any compliance issues.
- 7.9. The policies of the Committee should be updated when required to reflect compliance investigations by the Committee.

8. Review of Charter

- 8.1. The Company Board has approved this Charter and will assess this document and other Committee Policies at regular intervals to make changes where required.