



CHARTER OF THE AUDIT, RISK & COMPLIANCE COMMITTEE

Corporate Governance
Policy



The Citadel Group Limited
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CHARTER OF THE AUDIT, RISK & COMPLIANCE COMMITTEE

1 AUDIT RISK AND COMPLIANCE COMMITTEE

1.1 ESTABLISHMENT

This is the Charter of the Audit, Risk and Compliance Committee (**Committee**) established by the Board of The Citadel Group Limited (**Company**).

This Charter governs the operation of the Committee, sets out the Committee's role, responsibilities, composition, structure and membership requirements.

Only the Board may vary the terms of this Charter. However the Committee is empowered to determine its own procedures.

1.2 INTRODUCTION

The Committee has been constituted to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the following:

- a the effective operation of systems and controls which minimise financial and operational risk;
- b reliable financial and management reporting policies and procedures;
- c compliance with laws and regulations;
- d effective management of risk through the adoption of mitigation strategies;
- e maintenance of an effective and efficient internal and external audit process;
- f oversight of the accounting and financial reporting processes of the company; and
- g the audit of the Company's financial statements.

1.3 DUTIES AND RESPONSIBILITIES

The Committee is to be directly responsible, as a Committee of the Board, for the following functions:

- a ensuring appropriate accounting policies and procedures are defined, adopted and maintained;
- b ensuring that operating and management reporting procedures and the system of internal control are of a sufficiently high standard to provide timely, accurate and relevant information as a sound basis for management of the business;
- c reviewing the financial statements prior to their approval by the Board;
- d reviewing the scope of work including approval of strategic and annual audit plans and effectiveness of both the external and internal audit functions;
- e ensuring that appropriate processes are in place to ensure compliance with all legal requirements affecting the Company;
- f ensuring that the Company complies with all internal and industry codes of conduct and standards of corporate behaviour;
- g review the Company's risk management framework ensuring risk is effectively managed;
- h reviewing the Company's insurance programme;
- i appointing, on recommendation by the CEO or Managing Director, a person(s) responsible for Internal Audit functions as specified from time to time and in accordance with, the Committee's Constitution;

- j establishing procedures for:
 - i the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and
 - ii the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters (including 'Whistleblower' complaints);
- k addressing any other business processes or functions which may be referred to it by the Board;
- l ensuring receipt from the external auditor of a formal written statement delineating all relationships between the auditor and the company consistent with appropriate standards;
- m reporting regularly to the Board about Committee activities, issues and related recommendations; and,
- n for taking, or recommending that the Board take, appropriate action to oversee the independence of the external auditor.

1.4 COMMITTEE MEMBERSHIP

Members

The Committee is to comprise at least three directors, all of whom are non-executive directors and a majority of whom are independent directors.

The Committee members will appointed and removed by the Board, who shall also nominate an independent Chair (who shall not be the Chair of the Board).

At least one of the members of the Committee is to be a financial expert and all members must be able to read and understand fundamental financial statements.

A person will cease to be a Committee member:

- a if they give reasonable notice to the Committee Chair of their resignation as a Committee member;
- b if the Committee Chair gives the person a notice in writing that the person is to cease to be a Committee member; or
- c automatically if the person ceases to be a Company director.

The Committee Chair may appoint any other Director who meets the membership criteria to be a member of the Committee for any meeting where insufficient members are present to constitute a quorum.

Attendees

Subject to any conflicts of interest, copies of the Committee's papers will be provided to all Directors who are not members of the Committee, each of whom may attend Committee meetings as non-voting attendees if they wish.

The Committee may require officers of the Company or other persons to attend meetings on a permanent or ad hoc basis.

The internal and external auditors are to attend and report to the Committee as required.

Secretary

The Company Secretary (or such other person as determined by the Board) shall be Secretary to the Committee.

The Committee Secretary will attend all Committee meetings.

The Secretary is to be the authorised channel of communication of all decisions of the Committee.

1.5 AUTHORITY AND ACCESS

The Board authorises the Committee within the scope of its responsibilities under this Charter to:

- a have full access to the books and records of the Company, and to seek any information it requires from employees (who are directed to co-operate with any request from the Committee), or external parties;
- b obtain outside legal or other independent professional advice;
- c ensure the attendance of external parties with relevant experience and expertise;
- d resolve any disagreements between management and the external auditors; and
- e select, engage, terminate and approve the fees and other terms and conditions of the engagement of special or independent counsel, accountants, other experts and other advisors as it deems necessary to carry out its duties (see also the section regarding the appointment of external auditors).

The company is to provide for funding, if determined by the Committee, for payment of:

- a compensation to any auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the company;
- b compensation to any advisers employed by the Committee pursuant to its authority granted hereunder; and
- c ordinary administrative expenses of the Committee, which are necessary or appropriate in carrying out its duties.

1.6 APPOINTMENT OF EXTERNAL AUDITORS

The Committee is directly responsible for the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting.

The Committee is to approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgment or independence in respect of the Company. The external auditor may be permitted to provide additional services which are, and are not perceived to be, materially in conflict with the role of the auditor if the Board or Committee has approved those additional services.

The Committee may delegate pre-approval authority to a member. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

When reviewing the auditor's independence the Committee may require a formal report from its external auditor on an annual basis setting out the relationships that may affect its independence, and is to require the rotation of the audit partner at least once every five years.

1.7 MEETINGS

The Committee will meet often enough to undertake its role effectively, being at least 3 times each calendar year, or more often if required by the Board.

The Committee will meet in private session at least annually to assess management's effectiveness.

Unless otherwise agreed by all Committee members, notice of meetings and supporting documentation is to be dispatched four days in advance of the meeting date.

A meeting quorum is to consist of two members.



Each member is to have one vote.

The Chair is not to have a casting vote.

Directors or other persons "in attendance" are not to have a vote.

In the temporary absence of the Chair, a Committee member is to be elected from the Committee members present to preside over the meeting.

The Committee Secretary will be responsible for keeping the minutes of meetings and circulating them to Committee members. Copies of the Committee minutes are to be included in the following Board meeting's papers.

The external auditors are to attend each annual general meeting and must be available to answer questions from security holders relevant to the audit.

1.8 ROLES AND RESPONSIBILITIES

The roles and responsibilities of the ARCC include but are not limited to:

a Internal control, compliance and fraud control

- i Evaluating whether Management is setting the appropriate 'control culture' by communicating the importance of internal financial and non-financial controls and the management of financial and non-financial risk, and ensuring that all employees have an understanding of their roles and responsibilities.
- ii Considering how Management is held to account for the security of computer systems, applications and data, and the contingency plans (Disaster Recovery Plan and Business Continuity Plan) in place for preserving and processing critical financial and operational information in the event of a system breakdown.
- iii Monitoring compliance with legal, regulatory, industry requirements and ethical standards including Citadel's Code of Conduct and evaluate potential legal liabilities relating to financial exposure and Due Diligence.
- iv Reviewing and making recommendations to the Board in relation to any incident involving fraud or other breakdown of the Company's internal controls.
- v Reviewing the adequacy of the fraud control management system.
- vi Gaining an understanding of whether internal control recommendations made by the External and Internal Auditors have been responded and implemented by Management in an appropriate and timely manner.

b Financial Reporting

- i Understanding current areas which pose the greatest financial risk and the controls Management has in place to adequately safeguard against them.
- ii Reviewing significant accounting, legal and reporting issues (including recent professional and regulatory pronouncements/ standards) and understand their impact on the financial statements.
- iii Reviewing and approve financial information prior to market release.
- iv Reviewing the Interim Financial Statements and Disclosures. Obtaining explanations from Management and the External Auditors on whether:
 - A actual financial results for the Interim Period varied significantly from budgeted or projected results;
 - B changes in financial ratios and relationships in the Interim Financial Statements are consistent with changes in the Company's operations and financing practices;
 - C generally Accepted Accounting Principles have been consistently applied;
 - D there are any actual or proposed changes in accounting or financial reporting practices;

- E there are any significant or unusual events or transactions that require further investigation and/ or explanation;
- F the Company's financial controls are functioning effectively; and the Preliminary Announcements and Interim Financial Statements contain adequate and appropriate disclosures.
- v Requiring the Managing Director (or equivalent) and the Chief Financial Officer to state in writing to the Board that in their opinion the Company's financial records have been properly maintained and that the financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting Standards, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in the Company.
- vi Reviewing the annual financial statements, focusing on judgemental areas such as; the valuation of assets and liabilities, depreciation and amortisation rates, contingent liabilities, litigation provisions, and other commitments and contingencies.
- vii Considering whether the information in the annual financial statements is understandable, complete and consistent with the members' knowledge of the Company, its operations, preliminary announcements, forecast, Interim Financial Statements and analyst briefings.
- viii Recommending acceptance (or otherwise) of the Annual Report to the Board.

c External audit

- i Recommending the selection, appointment and removal, remuneration of the External Auditor, including the rotation of the External Lead Audit Partner.
- ii Reviewing the External Auditors' proposed audit scope, plan and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
- iii Considering the Independence of the External Auditor taking into account non-audit services provided to the Company.
- iv Meeting separately at least once a year with the External Auditors to discuss any matters that the Committee or Auditor believes should be addressed.
- v Reviewing the External Auditor's effectiveness, quality of services provided and resources at least once a year.

d Internal Audit

- i Assessing regularly whether the Company needs (or continues to need) an internal audit function.

Where an internal audit function exists:

- ii Recommending to the Board the appointment of the Internal Auditor and the approval of the annual Internal Audit fee and budget.
- iii Reviewing and approving the strategic and annual Internal Audit plans, scope and approach and ensuring no unjustified or limitations have been placed on the scope and appraise the audit activity against the annual plan and budget.
- iv Ensuring an appropriate interface exists between External Audit, Internal Audit and Risk Management.
- v Ensuring Internal Audit reviews independently, adequately, effectively and comprehensively the internal control systems (including risk controls and mitigation measures), review reports from Internal Audit and where major deficiencies or breakdowns in controls and/or procedures have been identified monitor that appropriate and prompt remedial action is taken by Management.
- vi Review the Internal Auditor's effectiveness, quality of services provided and resources at least once a year.



e Risk Management

- i At least annually, reviewing the Company's Risk Management Framework, monitoring Management's performance against it, and making recommendations to the Board regarding changes (if any) required to the Risk Management Framework.
- ii Reviewing and monitoring the effectiveness, comprehensiveness, integrity and quality of the Company's risk identification, assessment and management process, and risk management strategies, (including receipt of reports from Management on new and emerging risks).
- iii Monitoring adherence to the Company's Risk Appetite Statement and reporting to the Board regarding changes (if any) required to the Risk Appetite Statement.
- iv Ensuring risk management is integrated into all major business processes.
- v Reviewing the Company's insurance programme to ensure appropriate coverage is in place having regard to the nature of the Company's business activities and insurance availability.
- vi Ensuring proper risk management accountability, governance structure, reporting systems and compliance with risk management policies.
- vii Ensuring all strategic and major operational risks are brought to the attention of the Board in a timely manner and are adequately managed.
- viii Reviewing and making recommendations to the Board in relation to the Company's insurance program, having regard to the Company's business and the insurable risks associated with its business.
- ix Reviewing the Company's risk management framework at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.

f Work Health & Safety (WHS)

- i Reviewing the Company's WHS Framework, considering and making recommendations to the Board as appropriate on policies relating to WHS issues that ensure employees are provided with a working environment that is both healthy and safe.
- ii Ensuring management has systems and controls in place to maintain high WHS standards and practices and legal compliance with WHS laws.

g Environmental and social risks

- i Reviewing Management's assessment of its exposure to material environmental or social risks, and any proposals to manage those risks.

h Reporting Responsibilities

- i Regularly updating the Board about the Committee's activities and make appropriate recommendations.
- ii Ensuring the Board is aware of matters which may significantly impact the financial conditions or affairs of the Company including emerging risks, negative trends and warning signals.
- iii On an annual basis, the Committee shall prepare a formal report to the Board (at the Board meeting at which the year-end financial statements are approved) which outlines the Committee's assessment of:
 - A the external reporting and whether it is consistent with internal information and knowledge and is adequate for shareholder needs;
 - B procedures for selection of the External and Internal Auditors;
 - C the performance and independence of the External and Internal Auditors; and
 - D the internal compliance and control systems for financial and non-financial reporting; risk management system and process and summarises the Committee's activities during the year.



i Corporate Governance

- i Reviewing the Company's Corporate Governance Policy at least annually, and proposing revisions if required.
- ii Advising the Board on Corporate Governance developments, ensuring the Company's Corporate Governance Policy adequately reflects any such developments.
- iii Reviewing the Board Charter and Committee Charters annually.

j Other Responsibilities

- i Meeting with the CEO and Senior Management at least annually to address any matters which require consideration and/ or action.
- ii If necessary, instituting special investigations, one off reviews and, if appropriate, hire special counsel or experts to assist.
- iii Evaluating the Committee's own performance on a regular basis (at least once every two years) and the extent to which the Committee has met the requirements of its Charter.
- iv Reviewing and monitoring all material director-related party transactions which are not of a minor personal or domestic nature.
- v Performing other oversight functions as requested by the Board.

1.9 OTHER ADMINISTRATIVE MATTERS

The Board will disclose:

- a the Charter of the Committee;
- b the relevant qualifications and experience of the members of the Committee;
- c the number of times the Committee has met throughout the relevant reporting period and the individual attendances of the members at those meetings; and
- d whether the Company has any material exposure to, environmental or social risks and, if it does, how it manages or intends to manage those risks.

1.10 CONFIDENTIALITY

Proceedings of meetings shall be kept confidential.

1.11 ADOPTION

This Charter was approved by the Committee on 14 May 2019, adopted by the Board on 15 May 2019, and takes effect on 1 July 2019.



The Citadel Group Limited

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