Audit Committee Charter

CHR - Evolution Charters

1 Role

The role of the Audit Committee is to:

- Assist the Board in carrying out its responsibility to exercise due care, diligence and skill in relation to the Board's reporting of financial information, application of accounting policies, financial management, internal control systems, business policies and procedures, compliance with applicable laws and regulations, and monitoring and controlling of business risks;
- Provide a formal forum for communication between the Board, auditors and senior management;
- Ensure the effectiveness of tax risk management and compliance;
- Improve the effectiveness of the external audit function and the communication between the Board and the external auditors; and
- Ensure the effectiveness of the internal controls.

2 Membership

The Committee shall comprise a minimum of three members and all members will be members of the Board of Directors.

- Members shall only be Non-Executive Directors with a majority of independent directors and a quorum will comprise two members. If only one Committee Member is available through unavoidable circumstances, an additional Board Member may be co-opted to the Committee for the purpose of finalising urgent business.
- The Chair of the Committee shall be an independent Non-Executive Director of the Company.

3 Meetings

The Company Secretary shall be appointed secretary of the Committee. The Chief Financial Officer (CFO), in conjunction with the Committee Chair, shall draw up an agenda. Papers shall be circulated approximately one week prior to each meeting to the members of the Committee and the external auditors.

The Committee Chair will call a meeting of the Audit Committee if so requested by any Committee Member, or by the external auditors.

The external auditors should be given notice of all meetings and have the right to attend and speak.

Executive management and technical personnel will be invited to attend Committee meetings, or part thereof, as required by the Chair of the Committee.

Meetings shall be held approximately four times per annum, or as required. Minutes of all meetings of the Committee are to be kept by the Company Secretary

4 Responsibilities

The Audit Committee shall consider any matters relating to the financial affairs, corporate governance, external audit, and internal controls of the Company and its controlled entities that it considers necessary. In addition, the Audit Committee shall examine any other matters referred to it by the Board.

4.1 External Audit

- Make recommendations to the Board regarding the appointment of the external auditors;
- Manage the performance of the external auditors;
- Approve the terms of engagement and audit fee of the external auditors;
- Review and approve the annual external audit plan;
- Review external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Review the type of non-audit work carried out by the external auditors (and the associated fees), to ensure that the conduct of such work does not compromise the independence of the external auditors;
- Review the annual declaration of independence from the external auditors; and
- Initiate and supervise special investigations.

4.2 Reporting

In reviewing the Company's financial reports, the Committee shall consider with management the following:

- Review significant accounting policies, judgements and estimates applied in financial reporting to ensure appropriateness for the organisation and compliance with accounting and sustainability standards;

Review financial statements and other financial information to be distributed externally;

- Monitor the procedures in place to ensure that the entity is in compliance with the Corporations Act, Australian Securities Exchange Listing Rules and other legislative and reporting requirements; and
- Review related party transactions and consider the adequacy of disclosure of those transactions in the financial statements

4.3 Financial Risk Management

Committee oversight of financial risk to include:

- Ensure that management has put in place a process to identify, manage and report on the significant financial risks facing the business;
- Review policies on sensitive issues or practices;
- Review significant transactions which are not a normal part of the Company's business; and
- Review declarations from management on compliance with statutory responsibilities.

4.4 Tax Risk Management and Compliance

In monitoring of Company's tax risk management and governance, the Committee shall consider the following:

- Review the company's tax risk governance framework; adequacy of staff capacity and capability; IT systems, controls and procedures for dealing with tax law and administrative updates; effective use of tax advisors; and self-assurance processes to periodically test the effectiveness of its tax policies;
- Tax reporting to the Committee that includes status of tax lodgement, tax advice taken on technical issues, tax issues identified, escalated and mitigated and the status of franking credits.

4.5 Internal Controls

- Reviewing the adequacy, effectiveness and appropriateness of the Company's accounting control systems and policies;
- Reviewing and evaluating the controls and processes in place to ensure compliance with approved policies, internal controls, and applicable accounting standards and other requirements relating to the preparation and presentation of financial results;

- Confirming the reliability, integrity and effectiveness of accounting, treasury and hedging policies and financial reporting and disclosure practices;
- Approving the appointment, and removal, of the internal auditor including the:
  - role, scope, nature and suitability of the internal audit function;
  - internal audit program and any changes to it; and
  - internal audit fees;
- Confirming that any internal control recommendations made by the internal or external auditor and approved by the Committee have been implemented by management on a timely basis;
- Reviewing and making recommendations to the Board in relation to incidents involving actual or potential breach of Company financial policies, actual or potential fraud or other breakdown of the Company's internal controls;
- Confirming the system of controls, including information system controls, effectively safeguards the assets as recorded in the financial statements of the Company; and
- Confirming that processes are in place such that accounting records are properly maintained in accordance with statutory requirements.

4.6 Financial Corporate Governance

In conjunction with the Board, use all reasonable endeavours to:

- Monitor developments in corporate governance practices;
- Benchmark the entity's policies against best practice;
- Ensure that policies exist to deal with conflicts of interest;
- Review past or proposed transactions between the corporation and members of management or the Board; and
- Make recommendations on corporate governance standards and practices to the Board.

5 Reporting

The Chair of the Audit Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting. The minutes of all Committee meetings shall be circulated to all members of the Board.

6 Authority

The Audit Committee shall have the authority to seek any information it requires from any officer or employee of the Company or its controlled entities and such officers or employees shall be instructed by the Board of the Company to respond to such enquiries. The Audit Committee is authorised to take such independent professional advice as it considers necessary.

The Audit Committee shall have no executive powers, unless otherwise stated in this Charter, with regard to its findings and recommendations.

7 Committee performance

To determine whether it is functioning effectively, the Committee shall:

- Review this Charter every two years; and
- The Board will assess the performance of the Committee on an annual basis.