

## CHARTER

# AUDIT AND RISK COMMITTEE CHARTER

OBJECTIVE CORPORATION LIMITED (ASX:OCL)  
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## 1. PURPOSE

The purpose of this Charter is to document the objectives, responsibilities, composition and administration of the Audit and Risk Committee (“Committee”) of the Board of Directors of Objective Corporation Limited (“Board”).

## 2. ROLES AND RESPONSIBILITIES

The Board’s role is to:

The role of the Committee includes assisting the Board in the Objective Corporation Limited’s (“the Company”) governance and exercising of due care, diligence and skill in relation to:

- reporting financial information to users of financial reports
- application of accounting policies
- financial management
- the internal control system
- risk assessment, treatment strategies and monitoring
- the performance management system
- business policies and practices
- protection of the Company’s assets
- compliance with applicable laws, regulations, standards and best practice guidelines.

Other Committee objectives include:

- Improving the credibility and objectivity of the accountability process, including financial reporting.
- Overseeing the effectiveness of the external audit functions and providing a forum for communication between the Board and the external auditors.
- Ensuring the independence of the external auditor.
- Assuring the quality of external reporting of financial and non-financial information.
- Maintenance of an enterprise risk management framework and appropriate operational risk management frameworks based on industry accepted standards.
- Management of insurance programs to ensure appropriate coverage by reputable insurers at competitive premium levels with regards to the Company’s circumstances and needs.
- Ensuring an ethical and risk-aware culture has been embedded throughout the Company.

This Charter is to be read in conjunction with Appendix A: Responsibilities of the Audit and Risk Committee.

## 3. AUTHORITY

The Board authorises the Committee, through the Chair, to:

- Appoint, compensate and oversee the work of any registered company auditor employed by the organisation.
- Resolve any disagreements between management and the auditor on financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation.

- Seek any information it requires from employees, who are directed to co-operate with the Committee's requests, or from external parties.

## 4. COMPOSITION

The Committee will consist of at least two members of the Board. The Board or its nominating committee will appoint Committee members. The Committee will elect its Chair.

Members will be appointed to the Committee every two years and are eligible for reappointment.

Membership of the Committee is to be confirmed annually by the Board in alignment with the annual general meeting.

Each Committee member will be independent and financially literate, with appropriate degree qualifications, as determined by the Chairman.

## 5. INVITEES

Other persons may attend meetings of the audit committee by invitation.

The invitees may take part in the business of, and discussions at, the meeting but have no voting rights.

## 6. MEETINGS

The Committee will meet at least twice a year and additionally as the Committee considers necessary at appropriate points in the audit cycle. The external auditors may request a meeting and such a request is to be met.

A quorum will be more than half the members. In the Chair's absence from a meeting, the members present will select a Chair for that particular meeting.

All Committee members are expected to attend each meeting in person or through other approved means such as teleconferencing or video conferencing.

The notice and agenda of a meeting will include relevant supporting papers.

The Committee may invite other people to attend as it sees fit and consult with other people or seek any information it considers necessary to fulfil its responsibilities. The members may meet separately with auditors.

## 7. VOTING

Any matters requiring decision will be decided by a majority of votes of members present.

## 8. CONFLICT OF INTEREST

Committee members will be invited to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged. Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from Committee discussions on the issue where a conflict exists.

## 9. SECRETARIAT DUTIES

The Secretary of the Committee is the Company Secretary or another person nominated by the Committee.

## 10. MINUTES

Minutes must be prepared, approved by the Chair and circulated to the members within two weeks of a meeting. The minutes must be ratified by the members present at the meeting and signed by the Chair.

## 11. REPORTING TO THE BOARD

The Chair of the Committee is to report to the Board following each committee meeting. The manner of reporting may be by distribution of a copy of the minutes supplemented by other necessary information, including recommendations requiring Board action and/or approval. The Chair is to organise the supply of information regarding the Committee which will be included in the Company's annual report.

## 12. REVIEWS

The Committee should review this Charter annually to ensure that it remains consistent with the Board's objectives and responsibilities. The Board approves or further reviews the Charter.

## APPENDIX 1. RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

### APPENDIX 1.1 Financial Reporting

- Review significant financial and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory announcements and understand their effect on the financial report.
- Review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial report.
- Assess significant estimates and judgments in financial reports by asking management about the process used in making material estimates and then ask the external auditors the basis for their conclusions on the reasonableness of management's estimates.
- Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
- Consider the appropriateness of the accounting principles and policies adopted and any amendments, as well as the methods of applying those principles and policies ensuring they are in accordance with the stated financial reporting framework.
- Understand how management develops interim financial information and the nature and extent of external auditor involvement.
- Assess management explanations for unusual transactions or significant variances from prior year results or current year budget.
- Assess the management of non-financial information in documents to ensure the information does not conflict with the financial statements or other documents.
- Recommend to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

### APPENDIX 1.2 General Risk Oversight and Monitoring

- Review the Company's risk appetite and risk tolerance, as determined by the board on a holistic enterprise-wide basis, and with respect to relevant categories of operational risk.
- Review and assess the various categories of risk faced by the Company, including any concentrations of risk and interrelationships, between risks.
- Review and assess the likelihood of occurrence, severity of impact of those risks, and any mitigating measures affecting those risks.
- Review the responsibility for risk oversight and management of specific risks to ensure a common understanding of accountabilities and roles.
- Review the risk treatment and mitigation policies and procedures developed by management, including procedures for periodic and critical reporting of matters to the Board and the Committee.
- Review management's implementation of the Company's risk treatment and mitigation policies and procedures, to assess compliance and effectiveness.
- Review the quality, type and presentation of risk-related information provided to the Board

- Review the objectivity of the Company's risk management function and the processes for resolution of differences that might arise.
- Review the utility, effectiveness and efficiency of the Company's risk management function in the context of the Company's size, scale, complexity and scope of operations.
- Review how the Company's risk management policy and strategy is communicated throughout the Company to ensure it is embedded as part of the Company's corporate culture.
- Review internal communication and control systems to encourage the timely flow of risk-related information to personnel.
- Review reports from management, external auditors, internal auditors, legal counsel, regulators, and consultants as appropriate, regarding risks the company faces and the company's management of those risks.

## APPENDIX 1.3 Risk Management

- Assess the internal processes for determining and managing key risk areas, particularly:
  - compliance with laws, regulations, standards and best practice guidelines
  - important judgments and accounting estimates
  - litigation and claims
  - fraud and theft and
  - relevant business risks other than those dealt with by other specific Board committees.
- Ensure that the Company has an effective risk management system and that significant or material risks are reported to the Board.
- Address the effectiveness of the internal control, risk management and performance management systems with management and the external auditors.
- Assess effectiveness of, and compliance with, the Corporate Code of Ethical Conduct and compliance with internal plans, policies and procedures.
- Obtain regular updates from management and company lawyers (if required) about compliance matters

## APPENDIX 1.4 External Audit

- Make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the external audit provider.
- Review the external audit provider's fee and be satisfied that an effective audit can be conducted for the fee.
- At the start of each audit, agree the terms of engagement with the provider and review the annual engagement letter.
- Review and confirm the independence of the external audit provider by obtaining statements from the provider on relationships between the auditor and the Company (including non-audit services) and discussing the relationships with the auditor.
- Monitor and critique management's responsiveness to the external audit provider's findings and recommendations - ask the provider if there have been any significant disagreements with management (irrespective of whether they have been solved).
- Provide the opportunity for Committee members to meet with the external audit provider without management personnel being present at least once a year.
- Advise the Board on the rotation of the external audit provider at intervals of approximately each five years or otherwise as appropriate

## APPENDIX 1.5 Insurance and Other Matters

- The Committee will:
  - Review the placement of the Company's insurance program to ensure it meets the Company's needs and aligns with the company's risk profile.
  - Identify any special projects or investigations deemed necessary.
- Oversight of the Company's compliance with applicable work health and safety (WHS) legislation is included in the risk management and compliance responsibilities of the Committee referred to in Appendix A. The Company should target a best practice standard for WHS compliance.

## APPENDIX 1.6 Related Party Transactions

Review and monitor the propriety of related party transactions.

## APPENDIX 1.7 Corporate Governance

Assist the board to ensure appropriate corporate governance is in place.

## APPENDIX 1.8 Other Responsibilities

- Perform other activities related to this Charter as requested by the Board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of this Charter annually, requesting Board approval for changes and ensure appropriate disclosure as required by law or regulation.

Reviewed and approved by the Board 25 October 2017.