



# Audit Committee Charter

Evans Dixon Limited ACN 609 913 457 (**Company**)

# Audit Committee Charter

## 1 Introduction

- 1.1 The Audit Committee is a committee of the board of directors of Evans Dixon Limited ACN 609 913 457 (**Company**).
- 1.2 The board of the Company (**Board**) established the Audit Committee under the Company's constitution.
- 1.3 This charter sets out the scope of the Audit Committee's responsibilities in relation to the Company and its related bodies corporate (**Group**).
- 1.4 The role of the Audit Committee is not an executive role.

## 2 Objective

The objectives of the Audit Committee are to:

- (a) help the Board achieve its objective in relation to:
  - (i) financial reporting;
  - (ii) the application of accounting policies;
  - (iii) overseeing external and internal audit;
  - (iv) legal and regulatory compliance; and
  - (v) internal control and risk management systems;
- (b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- (c) promote a culture of compliance;
- (d) ensure effective communication between the Board and senior financial and compliance management;
- (e) ensure effective internal and external audit functions and communication between the Board and the external and internal auditors; and
- (f) ensure compliance strategies and the compliance function are effective.

## 3 External financial reporting

The Audit Committee is responsible for:

- (a) assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- (b) obtaining an independent judgment from the external auditor about:

- (i) the acceptability and appropriateness of accounting policies and principles put forward by management; and
- (ii) the clarity of current or proposed financial disclosure practices as put forward by management;
- (c) assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements) by:
  - (i) querying management as to how they were made; and
  - (ii) querying the external auditors as to how they concluded that those estimates were reasonable;
- (d) reviewing compliance with all related party disclosures required (where applicable) by accounting standards and the *Corporations Act 2001* (Cth);
- (e) assessing information from internal and external auditors that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);
- (f) reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess (among other things):
  - (i) the compliance of accounts with accounting standards and the *Corporations Act 2001* (Cth); and
  - (ii) the nature and impact of any changes in accounting policies during the applicable period;
- (g) discussing any draft audit opinion letter with the external auditors before it is finalised;
- (h) receiving any management letter from the external auditors;
- (i) recommending for adoption by the Board interim and final financial reports and the annual report;
- (j) reviewing documents and reports to regulators and recommending to the Board their approval or amendment; and
- (k) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters.

## 4 External audit

The Audit Committee is responsible for:

- (a) approving and recommending to the Board for acceptance, the terms of engagement with the external auditor at the beginning of each year;
- (b) regularly reviewing with the external auditor:
  - (i) the scope of the external audit;
  - (ii) identified risk areas; and
  - (iii) any other agreed procedures;

- (c) approving and recommending to the Board for adoption, policies and procedures for appointing or removing an external auditor, including criteria for:
  - (i) technical and professional competency;
  - (ii) adequacy of resources; and
  - (iii) experience, integrity, objectivity and independence;
- (d) recommending to the Board for approval, the appointment or removal of an external auditor based on those policies and procedures referred to in paragraph (c);
- (e) reviewing and assessing on a regular basis the compliance of the external auditor with criteria referred to in paragraph (c);
- (f) recommending to the Board the remuneration of the external auditor;
- (g) regularly reviewing the effectiveness and independence of the external auditor taking into account:
  - (i) the length of appointment;
  - (ii) the last dates lead engagement partners were rotated;
  - (iii) an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services; and
  - (iv) any relationships with the Group or any other body or organisation that may impair or appear to impair the external auditor's independence;
- (h) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee;
- (i) recommending to the Board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;
- (j) meeting periodically with the external auditors and inviting them to attend Audit Committee meetings to:
  - (i) review their plans for carrying out internal control reviews;
  - (ii) consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters; and
  - (iii) make recommendations to the Board;
- (k) asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved;
- (l) monitoring and reporting to the Board on management's response to the external auditor's findings and recommendations;
- (m) reviewing all representation letters signed by management and ensuring information provided is complete and appropriate; and
- (n) receiving and reviewing the reports of the external auditor.

## 5 Internal audit

The Audit Committee is responsible for:

- (a) ratifying the engagement and dismissal by management of any chief internal audit executive;
- (b) ensuring any chief internal audit executive is independent of the external auditor;
- (c) ensuring the external auditor does not provide internal audit services;
- (d) overseeing the scope of the internal audit, including reviewing the internal audit team's mission, charter, qualifications and resources;
- (e) reviewing and approving the scope of the internal audit plan and work programme;
- (f) monitoring the progress of the internal audit work programme and considering the implications of the internal audit findings for the control environment;
- (g) monitoring and reporting to the Board on management's responsiveness to internal audit findings and recommendations;
- (h) evaluating the process for monitoring and assessing the effectiveness of the internal audit function;
- (i) overseeing the liaison between the internal audit team and the external auditor;
- (j) receiving and reviewing the internal audit team's reports; and
- (k) ensuring the internal audit team reports directly to the Audit Committee.

## 6 Other responsibilities

The Audit Committee is responsible for:

- (a) reviewing and approving the charter of any committee dealing with internal and external audit functions within the Group; and
- (b) receiving and reviewing reports from any such committee.
- (c) ensuring the audit policies and procedures are adequately documented and that those documents are reviewed and updated for any legal and regulatory developments.

### Key financial risk

- (d) assessing and prioritising the areas of greatest potential financial risk, including:
  - (i) safeguarding assets;
  - (ii) litigation and claims;
  - (iii) non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss;
  - (iv) important judgments and accounting estimates; and
  - (v) maintenance of proper accounting records;
- (e) assessing the internal process for determining areas of greatest potential financial risk;

- (f) assessing and monitoring the management of areas of greatest potential financial risk;
- (g) reporting to the Board on the adequacy of the financial risk management; and
- (h) reviewing the Group's financial risk management procedures to ensure that the Group complies with its legal obligations, including to assist the Group Chief Executive Officer or Group Chief Financial Officer to provide declarations in relation to each of the Group's financial reports required by both section 295A of the *Corporations Act 2001* (Cth) and Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations (3rd edition).

## **7 Audit Committee composition**

- 7.1 The Audit Committee must comprise:
- (a) at least three directors;
  - (b) all non-executive directors who are financially literate (and at least one of whom is a financial expert); and
  - (c) a majority of independent directors.
- 7.2 While the Company will aim to have an Audit Committee of at least the size and composition outlined in paragraph 9.2 above, this may not always be practicable given the size of the Board and the circumstances of the Group, including the nature of the Group's business. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Audit Committee from time to time.
- 7.3 The Audit Committee will appoint its chair. The chair must be an independent director and may not be the chair of the Board.
- 7.4 The Audit Committee will appoint a secretary.
- 7.5 The Audit Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.
- 7.6 Each member of the Audit Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.
- 7.7 Each member of the Audit Committee should have an understanding of the industry in which the Group operates.
- 7.8 The Board will decide appointments, rotations and resignations within the Audit Committee having regard to the ASX Listing Rules and the *Corporations Act 2001* (Cth).
- 7.9 A member may act by their alternate.

## **8 Audit Committee meetings**

- 8.1 The Audit Committee will meet as often as it considers necessary.
- 8.2 A quorum for an Audit Committee meeting is two Audit Committee members.
- 8.3 Audit Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

- 8.4 The Audit Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in clause 77 of the Company's constitution or equivalent.
- 8.5 The Audit Committee may invite other persons it regards appropriate to attend Audit Committee meetings.

## **9 Minutes of Audit Committee meetings**

- 9.1 The Audit Committee must keep minutes of its meetings.
- 9.2 Minutes of each Audit Committee meeting must be included in the papers for the next full Board meeting after each meeting of the Audit Committee, except if there is a conflict of interest.
- 9.3 Minutes must be distributed to all Audit Committee members, after the Audit Committee chair has approved them.
- 9.4 The agenda and supporting papers are available to directors upon request to the Audit Committee secretary, except if there is a conflict of interest.

## **10 Reporting to the Board**

The Audit Committee chair must report the Audit Committee's findings to the Board after each Audit Committee meeting.

## **11 Access to information and independent advice**

- 11.1 The Audit Committee may seek any information it considers necessary to fulfil its responsibilities.
- 11.2 The Audit Committee has access to:
- (a) management to seek explanations and information from management; and
  - (b) internal and external auditors to seek explanations and information from them, without management being present.
- 11.3 The Audit Committee may seek professional advice from employees of the Group and from appropriate external advisers, at the Company's cost. The Audit Committee may meet with these external advisers without management being present.

## **12 Review and changes to this charter**

- 12.1 The Audit Committee will review this charter annually or as often as it considers necessary.
- 12.2 The Board may change this charter from time to time by resolution.