

HGL Limited

Audit and Risk Committee Charter

1. Definitions and interpretation

In this Charter, unless the contrary intention appears:

- (a) “at any time” means at any time and from time to time;
- (b) “Board” means the board of directors of HGL;
- (c) “Committee” means the Audit and Risk Committee established by resolution of the Board, and whose Charter this is;
- (d) “Director” means a member of the Board;
- (e) “External Auditor” means the firm appointed as auditor of the HGL Group under Part 2M.4 of the Corporations Act and, in particular, the audit engagement partner within that firm;
- (f) “HGL” means HGL Limited (ACN 009 657 961);
- (g) “HGL Group” means HGL and any entity controlled by HGL (as defined in the Accounting Standards);
- (h) “Internal Auditor” means either an internal employee appointed to the role of internal auditor, or the firm engaged to conduct the internal audit work for the HGL Group under the requirements of this Charter.

2. Authority

2.1 Source of authority

The Committee is a committee of the Board. The Committee is appointed and authorised by the Board to assist the Board in fulfilling its statutory and fiduciary responsibilities. The authority of the Committee is sourced from:

- (a) this Charter;
- (b) separate resolutions passed by the Board at any time; and
- (c) relevant Clauses of the Constitution of HGL.

2.2 Primary responsibility

The Committee is responsible for review and oversight of:

- (a) the integrity of the accounting and financial reporting processes of the HGL Group;
- (b) the external audit of the HGL Group, including assessing the independence and effectiveness of the External Auditor;
- (c) the external reporting of financial information of the HGL Group, including the selection and application of accounting policies; and

- (d) the overall risk management framework of the HGL Group.

2.3 Direct access to Auditor

The Committee has direct access to the Auditor. The Committee may choose to do this at any time without management of the HGL Group being present.

2.4 Direct access to HGL Group employees

The Committee has the authority to seek at any time any information the Committee considers may be relevant to its functions from any officer or employee of the HGL Group. The board of the entity employing such officers or employees must use its best endeavours to encourage such officers or employees to cooperate fully in the provision of such information.

2.5 Certain individuals have direct access to the Committee

To ensure that all appropriate matters are drawn to the attention of the Committee, each of the following has direct access to the Committee:

- (a) the Chief Executive of HGL;
- (b) the Chief Financial Officer of HGL;
- (c) the Company Secretary of HGL;
- (d) the Internal Auditor of HGL;
- (e) the External Auditor; and
- (f) the Chair of the Board, if they are not a member of the Committee.

2.6 Investigation

The Committee has the authority to at any time conduct or direct any investigation it considers necessary to fulfil its responsibilities.

2.7 Retain advisers

The Committee has the authority to at any time retain, at the expense of HGL, such legal, accounting or other advisers, consultants or experts, as the Committee considers appropriate to assist it in meeting its responsibilities.

2.8 Recommendation

The Committee may at any time make recommendations to the Board as it sees fit.

2.9 Sub-committee

The Committee may at any time form and delegate authority to sub-committees, comprised of one or more members of the Committee as it considers necessary or appropriate. Each sub-committee has the full power and authority of the Committee, subject to the terms of its delegated authority.

3. Members of the Committee

3.1 Composition requirements

Membership of the Committee is governed by the following requirements:

- (a) each member of the Committee is appointed by the Board;
- (b) the Committee must comprise at least 3 non-executive Directors;
- (c) the chair of the Committee will be appointed by the Board, and will not be the chair of the Board; and
- (d) the Committee shall comprise members with sufficient skills and experience relevant to the Committee's functions.

A director's independence will be assessed on the same criteria used to determine independence for the purposes of board membership.

3.2 Term

The term of appointment as a member of the Committee is for a period of one year. Each member of the Committee is eligible for reappointment by the Board, subject to the composition requirements for the Committee.

3.3 Cessation

The Board may at any time remove any individual from the Committee and need not give a reason for doing so. If a member of the Committee ceases for any reason to be a Director, that individual automatically ceases to be a member of the Committee.

3.4 Fees

Any fees payable for serving on the Audit Committee will be on the recommendation of the Remuneration Committee of HGL, and subject to approval by the Board.

4. Secretary

4.1 Appointment

The Company Secretary of HGL will serve as secretary of the Committee.

4.2 Minutes

The secretary of the Committee must ensure that minutes are taken of meetings of the Committee. If the secretary is asked to withdraw for all or any part of any meeting, the chair must ensure that minutes are taken in respect of that part of the meeting.

5. Meetings

5.1 Meetings other than in person

The Committee may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they see fit. The Committee may conduct meetings by telephone or other form of communication without a member being in the physical presence of another member or other members.

5.2 Frequency

The Committee must meet often enough to undertake its role effectively. The Committee must meet at least 3 times per calendar year.

5.3 Additional meetings

The chair of the Committee must call a meeting of the Committee if so requested:

- (a) by any member of the Committee; or
- (b) by the External Auditor; or
- (c) by the chair of the Board.

5.4 Quorum

A quorum for a meeting of the Committee is 2 members.

6. Attendance at meetings

6.1 Usual attendees

Each of the following is expected to attend each meeting of the Committee:

- (a) the Chief Executive of HGL;
- (b) the Chief Financial Officer of HGL;
- (c) representatives of the External Auditor; and
- (d) the secretary of the Committee.

6.2 Other attendees

Other members of management of the HGL Group, or parties external to the HGL Group, may be invited to attend any meeting of the Committee.

6.3 Attendees may have to withdraw

An individual who is not a member of the Committee may be asked by the Committee to withdraw for all or any part of any meeting of the Committee.

7. Reporting by the Committee

7.1 Circulation of minutes

Minutes of each meeting of the Committee must be approved and signed by either the chair of that meeting or the chair of the Committee at the next practicable meeting of the Board.

7.2 Reports to the Board

The Committee, through its chair, must report to the Board at the earliest possible Board meeting after each meeting of the Committee. Such report should include any matters that, in the opinion of the Committee, should be brought to the attention of the Board, and any recommendations requiring the approval of the Board.

7.3 Annual and half-yearly financial statements

The Committee should recommend to the Board acceptance of the annual and the half-yearly financial statements of HGL after providing the Board with a report which includes:

- (a) an assessment of the performance and independence of the External Auditor, and whether the Committee is satisfied that the independence of the External Auditor has been maintained having regard to the provision of non-audit services by the External Auditor; and
- (b) an assessment of the management processes supporting external reporting; and
- (c) an assessment of the internal compliance and control systems for financial reporting; and
- (d) an assessment of whether external reporting is consistent with internal information and knowledge and is adequate for the needs of shareholders of HGL.

7.4 Review of Charter

The Committee must, each year, review the adequacy of this Charter and recommend to the Board any changes to the Charter that the Committee considers are desirable.

7.5 Annual performance appraisal

An evaluation of the performance of the Committee and the extent to which the Committee has met the requirements of this Charter will be conducted through the Board's annual performance appraisal process.

8. Particular duties and responsibilities of the Committee

8.1 Overview

The Committee's main responsibilities are grouped below under the following headings:

- (a) accounting practices and external reporting;
- (b) statutory audit;
- (c) financial risk management and compliance;

- (d) enterprise risk management; and
- (e) other responsibilities.

8.2 Accounting practices and external reporting

The Committee must:

- (a) review the audited annual and half-yearly financial statements, and any reports which accompany published financial statements, with management and the External Auditor, in order to recommend their approval by the Board, or when authorised by the Board, to approve their release to regulators and the market;
- (b) review with management significant accounting and financial reporting issues raised by the External Auditor;
- (c) review any new or significant changes to existing HGL Group accounting policies and advise the Board of any significant new policies or significant changes in policy;
- (d) ensure that appropriate policies are promulgated and complied with in relation to the regular review of models that calculate financial valuations of assets and liabilities; and
- (e) review the controls and processes that are used to reach the opinions provided in certifications of the Chief Executive of HGL and the Chief Finance Officer of HGL.

8.3 External audit

The Committee must:

- (a) in consultation with management of the HGL Group, review with the External Auditor the integrity and effectiveness of the HGL Group's financial reporting systems and controls;
- (b) review the scope of the external audit plan with management of the HGL Group and monitor its implementation;
- (c) review the external audit results with management;
- (d) on at least an annual basis, meet with the External Auditor without management being present;
- (e) obtain, at least annually, from the External Auditor a formal written statement delineating all relationships between the External Auditor and the HGL Group to assess the independence of the External Auditor;
- (f) ensure that each of the external audit engagement partner and lead review partner is rotated off the audit of the HGL Group after no more than 5 years and are not re-assigned to the HGL Group's audit for at least 2 years;
- (g) make recommendations to the Board on the appointment, reappointment, removal (and related tendering) of the audit, and remuneration of the External Auditor;
- (h) with management support, conduct the tender for the audit of the HGL Group whenever the Board resolves that such a tender should be conducted; and
- (i) ensure the External Auditor attends the HGL Ltd Annual General Meeting.

8.4 Internal audit

The Committee must:

- (a) in consultation with management of the HGL Group, determine the scope of the internal audit program and monitor its implementation;
- (b) review the internal audit results with management;
- (c) meet with the Internal Auditor; and
- (d) make recommendations to the Board on any appointment or removal of an external party to conduct the internal audit work for the HGL Group.

8.5 Financial risk management and compliance

The Committee must:

- (a) after taking into account the allocation to the Board of responsibility for review of risk, review the financial risk management internal control systems and compliance processes for accounting and external reporting;
- (b) review any applicable financial sector regulatory requirements and compliance with them;
- (c) review any major reports of financial sector regulators on the operations of the HGL Group and the response of management of the HGL Group to such reports; and
- (d) establish and maintain procedures so that relevant matters that come to the attention of the Committee are referred in writing to the Board.

8.6 Enterprise Risk Management

The Committee must:

- (a) review the Risk Management Framework of the HGL Group at least annually to ensure it complies with accepted practice, and accurately reflects the Board's risk appetite;
- (b) regularly review the Risk Register of the HGL Group, and ensure that risks of a relevant level are being monitored and managed sufficiently, and reported to the board

8.7 Other responsibilities

The Committee:

- (a) may need to request or, if approved by the Board, to direct a special project or investigation into a serious issue or significant transaction that falls within the ambit of the overall responsibilities of the Committee; and
- (b) must examine any other matters referred to it any time by the Board.