



Eclipx Group Limited

Audit & Risk Committee Charter

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AUDIT & RISK COMMITTEE CHARTER

ECLIPX GROUP LIMITED (THE COMPANY)

1. Introduction

1.1 Purpose of Charter

This is the Charter of the Audit & Risk Committee established by the Board of the Company (the Charter). The Charter governs the operations of the Audit & Risk Committee (the Committee). It sets out the Committee's role and responsibilities, composition, structure and membership requirements.

1.2 Role of Committee

The Committee has been established to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process and internal control structure, risk management systems (financial and non-financial) and the internal and external audit process. Accordingly the Committee will meet on a regular basis to:

- (a) Review, update and approve internal audit and external audit plans;
- (b) Review scope, appointment, independence and reports of external auditors;
- (c) review and approve financial reports;
- (d) review reports arising from internal audit activities and other risk assurance activities; and
- (e) review the effectiveness of the Company's compliance and risk management functions.

2. Membership

2.1 Composition of the Committee

The Committee will:

- (a) comprise only of members of the Board of Directors (Directors) and

members will be appointed and removed by the Board;

- (b) be of sufficient size, independence and technical expertise to discharge its mandate effectively;
- (c) consist of:
 - (i) at least three members;
 - (ii) only non-executive directors;
 - (iii) a majority of independent directors (Independent Directors); and
 - (iv) an independent¹ chairperson, who will be nominated by the Board from time to time, but who will not be the chairperson of the Board;
- (d) comprise members who are financially literate (as in, members who are able to read and understand financial statements);
- (e) include at least one member who has accounting and/or related financial management expertise (as in, a member who is a qualified accountant or other financial professional with experience of financial and accounting matters) and some members who have an understanding of the industries in which the Company operates.

2.2 Ceasing to be a member of the Committee

A person will cease to be a member of the Committee if:

- (a) the person gives reasonable notice in writing to the Committee Chairperson of the person's resignation as a member of the Committee;

¹ Independent, as defined by the ASX Corporate Governance Council. See schedule to this Charter.

- (b) the Committee Chairperson gives the person notice in writing that the person is to cease to be a member of the Committee; or
- (c) the person ceases to be a Director, in which case the person automatically ceases to be a member of the Committee.

2.3 Members of the Committee

Current members of the Committee are:

- (i) Trevor Allen – Chair;
- (ii) Kerry Roxburgh;
- (iii) Russell Shields; and
- (iv) Greg Ruddock.

2.4 Secretary

- (a) The Committee will have a secretary, which is to be the Company Secretary or such other person as nominated by the Board (Committee Secretary).
- (b) The Committee Secretary will attend all Committee meetings.
- (c) The Committee Secretary, in conjunction with the Chairman of the Committee, must prepare an agenda to be circulated to each Committee member at least 2 full working days prior to each meeting of the Committee.
- (d) The Committee Secretary will distribute a meeting timetable for each forthcoming calendar year.

3. Meetings & authority of the Committee

3.1 Meetings

- (a) The Committee will meet often enough to undertake its role effectively, being at least three times each calendar year.
- (b) The Committee will meet in private session at least annually to assess management's effectiveness.
- (c) The quorum for any meeting will be 2 members.

- (d) Special meetings may be convened as required. The Chairperson will call a meeting of the Committee if requested to do so by any member of the Committee, by the external auditors or by the chairperson of the Board.
- (e) The Committee may invite such other persons (for example, staff, Managing Director/CEO, CFO, external parties) to its meetings, as it deems necessary, whether on a permanent or ad hoc basis.
- (f) Absent any conflict of interest, each member of the Board has a standing invitation to attend the meetings of the Committee as an invitee without voting rights.
- (g) The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each Committee meeting.

3.2 Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- (a) investigate any matter brought to its attention with full access to all books, records and facilities;
- (b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties;
- (c) obtain outside accounting, legal, insurance, compliance, internal audit, risk management or other professional advice as it determines necessary to carry out its duties; and
- (d) ensure the attendance of Company officers at meetings as it thinks appropriate.

4. Duties and responsibilities

4.1 Understanding the Company's Business

The Committee will ensure it understands the Company's structure, business and controls to ensure that it can adequately assess the significant risks faced by the Company.

4.2 Financial Reporting

The Committee's primary responsibility is to oversee the Company's financial reporting process on behalf of the Board and to report the results of its activities to the Board. The Committee will:

- (a) review the Company's financial statements to determine whether they reflect the understanding of the Committee and otherwise provide a true and fair view of, the financial position and performance of the Company and other group entities and make any necessary recommendations to the Board;
- (b) review significant accounting policies adopted by the Company to ensure compliance with International Financial Reporting Standards (IFRS) and generally accepted accounting principles;
- (c) ensure that before the Board approves the Company's financial statements for a financial period, that the Board and the Committee first receive from the CEO and the CFO a declaration that, in their opinion, the financial records of the Company and its controlled entities have been properly maintained and that the financial statements comply with the applicable accounting standards and give a true and fair view of the financial position and performance of the Company and its controlled entities and that the opinion has been formed on the basis of a

sound system of risk management and internal control which is operating effectively;

- (d) consider financial matters relevant to half yearly reporting in a timely manner; and
- (e) review other financial information distributed externally as required.

4.3 Risk assessment

The Committee will review and assess at least annually all risks of the Company in accordance with the processes and procedures of the risk management framework. The Committee will also review and make recommendations to the Board regarding:

- (a) the Company's risk appetite statement;
- (b) the Company's risk management policy and framework;
- (c) the adequacy of the Company's internal control and processes for managing risk;
- (d) any incident involving fraud or other failure of the Company's internal controls; and
- (e) the Company's insurance program, having regard to the business of the Company and its controlled entities and the insurable risks associated with the business.

4.4 Reporting to the Board

- (a) The Committee will regularly report to the Board on all matters relevant to the Committee's role and responsibilities.
- (b) The Chairperson will report and as appropriate make recommendations to the Board after each meeting of the Committee on matters dealt with by the Committee.
- (c) As and when appropriate, the Committee will seek direction and guidance from the Board on audit, risk management and compliance matters.

- (d) The Committee will ensure that the Board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company in a timely manner.

4.5 Assessment of accounting, financial and internal controls

Periodically, the Committee will meet separately with management, the internal auditors, and the external auditors to discuss:

- (a) the adequacy and effectiveness of the accounting and financial controls including but not limited to the Company's policies and procedures to assess, monitor, and manage business risk and legal and ethical compliance programs;
- (b) the appropriateness of the accounting judgements and choices exercised by management in preparing the Company's financial statements;
- (c) issues and concerns warranting Committee attention, including but not limited to their assessments of the effectiveness of internal controls, risk management and the process for improvement.

The Committee will provide sufficient opportunity for the internal auditors and the external auditors to meet privately with the members of the Committee. The Committee will review any audit problems or difficulties regarding management's response with the external auditor.

The Committee will receive regular reports from the external auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

4.6 Appointment of external auditors and scope of external audit

The Committee will:

- (a) make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting²;
- (b) consider the rotation of the audit engagement partner of the external auditors;
- (c) consider the scope and adequacy of the external audit;
- (d) discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures; and
- (e) ensure that the terms of appointment of the external auditors includes a requirement to attend the annual general meeting (AGM) of the shareholders of the Company and that they are available at the AGM to answer any questions from shareholders relevant to the audit.

4.7 Pre-approval of audit and non-audit services provided by external auditors

- (a) The Committee will pre-approve all audit and non-audit services provided by the external auditors and will not engage the external auditors to perform any non-audit/assurance services that may impair or appear to

² When recommending the appointment of an auditor or assessing potential and continuing auditors, directors and members of the Audit & Risk Committee will have regard to best practices, including guidance outlined in ASIC's March 2014 paper on *Audit quality: The role of directors and audit committees* ([ASIC Information Sheet 196](#))

impair the external auditor's judgement or independence in respect of the Company.

- (b) The Committee may delegate pre-approval authority to a member of the Committee. 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.

4.8 Assessment of the external audit

- (a) The Committee, at least on an annual basis, will obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):
 - (i) the audit firm's internal quality control procedures;
 - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
 - (iii) all relationships between the external auditor and the Company (to assess the auditor's independence).
- (b) The Committee will set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgement or independence in respect of the Company.

- (c) The Committee will review and assess the independence and performance of the external auditor³, including:
 - (i) a review of any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company;
 - (ii) a review of any appointments of the external auditor to provide non-audit services and whether those appointments may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- (d) The Committee will draft an annual statement for inclusion in the Company's annual report as to whether the Committee is satisfied the provision of non-audit services is compatible with external auditor independence.

4.9 Assessment of the internal audit

The Committee will:

- (a) be responsible for the appointment and removal of the head of the internal audit function;
- (b) review the Internal Audit Charter and resources to ensure no unjustified restrictions or limitations are imposed upon internal audit activities and that resourcing is adequate;
- (c) consider and discuss the scope and adequacy of the internal audit with the internal auditor, including the internal

³ When assessing the quality of audits, directors and members of the Audit & Risk Committee will have regard to best practices, including guidance outlined in ASIC's March 2014 paper on *Audit quality: The role of directors and audit committees* ([ASIC Information Sheet 196](#))

- audit plan, work program and quality control procedures; and
- (d) consider the objectivity and performance of the internal audit function.

4.10 Compliance with Laws and Regulations

The Committee will:

- (a) ensure a compliance framework is established;
- (b) gain an understanding of the current areas of greatest compliance risk (financial and non-financial) (e.g. AML/CTF Act, NCCP Act, ASX Corporate Governance Principles) and review these areas on a regular basis;
- (c) obtain regular updates from management, the Company's legal counsel, auditors and any external parties as it thinks fit regarding audit, risk management and compliance matters and regularly review existing compliance systems and consider any deficiencies in compliance risk measures;
- (d) review any legal matters which could significantly impact the Company's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports;
- (e) review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance;
- (f) be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents;

- (g) obtain from management details of all material non-compliance and material regulator correspondence/engagement;
- (h) review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators; and
- (i) review the reports of the Company's Whistleblower Protection Officer.

4.11 Review of media releases, announcements and complaints

The Committee may, if it deems material:

- (a) retrospectively review and discuss media releases, ASX announcements and any other information provided to analysts;
- (b) retrospectively review all representation letters signed by management to ensure that the information provided is complete and appropriate;
- (c) establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- (d) review corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duties.

4.12 Committee performance assessment

- (a) Every year, the Board will review the performance of the Committee, and its Chair's, to determine if it is functioning effectively by comparing performance with the requirements of the Charter and the reasonable expectations of such a committee; and

- (b) Every three years, the performance of the Committee and its Chair will be reviewed by an independent third party, comparing performance with the requirements of the Charter and the reasonable expectations of such a committee.

5. Other matters

5.1 Amendment of Charter

This Charter can only be amended with the approval of the Board.

5.2 Adoption of Charter and periodic review

This Charter was adopted by the Board on the date specified in the table in paragraph 6, and takes effect from that date and replaces any previous charter in this regard.

The Committee must review and reassess this Charter, the Internal Audit Charter, and the Risk Management Policy at least once a calendar year and, on each occasion, obtain the approval of the Board to any amendments to these documents. The Board will also review this Charter, the Internal Audit Charter and the Risk Management Policy periodically.

The Company Secretary will communicate any amendments to employees as appropriate.

6. Document control

Version	Management Approval	Board Approval
1.0	Doc Klotz / 19 March 2015	26 March 2015
1.1	Doc Klotz / 12 August 2016	19 August 2016
1.2	Doc Klotz / 17 October 2016	24 October 2016
1.3	Doc Klotz / 8 December 2017	18 December 2017

Schedule

Independence as defined by the ASX Corporate Governance Council in their Corporate Governance Principles and Recommendations (3rd edition)

An independent director is a non-executive director who is not a member of management, and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The corporate governance guidelines provide certain criteria for assessing the independence of directors and outline relationships which may affect independent status. They provide that when determining the independent status of a director the board should consider whether the director:

1. is, or has been, employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
2. is, or has within the last three years been, a principal, partner, director, or senior employee of a material professional adviser or a material consultant to the Company or another group member;
3. is, or has been within the last three years, in a material business relationship (such as a material supplier or customer) with the Company or other group member, or an officer of, or otherwise associated directly or indirectly with, someone with such a relationship;
4. is a substantial shareholder of the Company, or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
5. has a material contractual relationship with the Company or another group member other than as a director of the Company;
6. has close family ties with a person who falls within any of the above categories;

7. has been a director of the Company for such a period that his or her independence may have been compromised.

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by directors to the board.

Audit and Risk Committee Charter Checklist

#	Question	Yes/No/NA
Role of Committee		
1	The Committee met on a regular basis to, review, update and approve internal audit and external audit plans; review scope, appointment, independence and reports of external auditors; review and approve financial reports; review reports arising from internal audit activities and other risk assurance activities; and review the effectiveness of the Company's compliance and risk management functions	
Composition of Committee		
2	The Committee comprised only of members of the Board and any appointment or removal of members was performed by the Board	
3	The Committee was of sufficient size, independence and experience to discharge its mandate effectively	
4	The Committee consisted of at least three members, a majority of whom (including the Chairperson (who was nominated by the Board but was not the Chairperson of the Board)) were independent Directors and all of whom were non-executive Directors	
5	The Committee members are financially literate	
6	The Committee included at least one member with accounting and/or related financial management expertise and some members with understanding of the industries in which the	

#	Question	Yes/No/NA
	Company operates	
Ceasing to be a member of the Committee		
7	Any person, who ceased to be a member of the Committee either gave reasonable notice to the Committee Chairperson or received written notice from the Chairperson or ceased to be Director	
Secretary		
8	The Committee secretary was the Company Secretary or another person nominated by the Board	
9	The Committee Secretary attended all Committee meetings	
10	The Committee Secretary in conjunction with the Chairperson of the Committee prepared an agenda and circulated it to each member at least two working days prior to each Committee meeting	
11	The Committee Secretary distributed a meeting timetable for the forthcoming calendar year	
Meetings		
12	The Committee met at least three times during the year	
13	The Committee met in private session during the year to assess management's effectiveness	
14	For a quorum, meetings had at least two members present	
15	The Chairperson convened special meetings of the Committee when requested to do so by any member of the Committee, the external	

#	Question	Yes/No/NA
	auditors or the Chairperson of the Board	
16	The Committee invited other persons (for example, staff, Managing Director/CEO, external parties) to its meetings where it was deemed necessary, whether on a permanent basis or ad hoc	
17	Absent any conflict of interest, each member of the Board had a standing invitation to attend meetings of the Committee as an invitee without voting rights	
18	The proceedings of all meetings were minuted and included in the papers for the next Board meeting after each Committee meeting	
Authority		
19	The Committee investigated any matter brought to its attention with full access to all books, records and facilities	
20	The Committee was able to seek information it required from an employee or external party	
21	The Committee obtained external professional advice where necessary to carry out its duties	
22	The Committee ensured attendance of company officers at meetings as it thought appropriate	
Understanding the Company's business		
23	The Committee understood the Company's structure, business and controls to ensure it could adequately assess the significant risks faced by the Company	

#	Question	Yes/No/NA
Financial Reporting		
24	The Committee reviewed the Company's financial statements and determined they reflected the understanding of the Committee and otherwise provided a true and fair view of the financial position and performance of the Company and other group entities and made any necessary recommendations to the Board	
25	The Committee reviewed significant accounting policies adopted by the Company to ensure compliance with AIFRS and generally accepted accounting principles	
26	Prior to the Board approving the Company's financial statements for the financial period, the Committee ensured the Board and the Committee first received a declaration from the CEO and CFO that in their opinion, the financial records of the Company were properly maintained and that the financial statements complied with applicable accounting standards and gave a true and fair view on the financial position of the Company	
27	The Committee considered financial matters relevant to half yearly reporting in a timely manner	
28	The Committee reviewed other financial information distributed externally as required	

#	Question	Yes/No/NA
Risk assessment		
29	During the year, the Committee reviewed and assessed all risks of the Company in accordance with the processes and procedures of the risk management framework	
30	The Committee reviewed and made recommendations to the Board regarding the Company's risk appetite statement, risk management policy and framework, the adequacy of the Company's internal control and processes for managing risk, any incident involving fraud or other failure of the Company's internal controls and the Company's insurance program	
Reporting to the Board		
31	The Committee regularly reported to the Board on all matters relevant to the Committee's role and responsibilities	
32	The Chairperson reported and made recommendations to the Board after each Committee meeting on matters dealt with by the Committee	
33	The Committee sought direction and guidance from the Board on audit, risk management and compliance matters when considered appropriate	
34	The Committee ensured the Board was made aware of audit, financial reporting, internal control, risk management and compliance matters that significantly	

#	Question	Yes/No/NA
	impacted upon the Company	
Assessment of accounting, financial and internal controls		
35	During the year, the Committee met separately with management, the internal auditors and the external auditors and discussed the adequacy and effectiveness of the accounting and financial controls	
36	During the year, the Committee met separately with management, the internal auditors and the external auditors and discussed the appropriateness of the accounting judgements and choices exercised by management in preparing the Company's financial statements	
37	During the year, the Committee met separately with management, the internal auditors and the external auditors and discussed issues and concerns warranting Committee attention	
38	The Committee provided sufficient opportunity for the internal auditors and external auditors to meet privately with the members of the Committee and reviewed any audit problems or difficulties regarding management's response with the external auditor	
39	The Committee received regular reports from the external auditor on critical	

#	Question	Yes/No/NA
	policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that were discussed with management	
Appointment of external auditors and scope of external audit		
40	The Committee made recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting	
41	The Committee considered the rotation of the audit engagement partner of the external auditors	
42	The Committee considered the scope and adequacy of the external audit	
43	The Committee discussed with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures	
44	The Committee ensured the terms of appointment of the external auditor included a requirement that they attend the annual general meeting and are available at the annual general meeting to answer any questions from shareholders relevant to the audit	
Pre-approval of audit and non-audit services provided by external auditors		

#	Question	Yes/No/NA
45	The Committee pre-approved all audit and non-audit services provided by the external auditors and did not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence	
Assessment of external audit		
46	During the year, the Committee obtained and reviewed a report by the external auditor describing the audit firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years; and all relationships between the external auditor and the Company	
47	The Committee set clear hiring policies for employees or former employees of the external auditor to prevent the impairment or perceived impairment of the external auditor's judgement or independence	
48	The Committee reviewed and assessed the independence and performance of the external auditor	
49	The Committee drafted an annual statement for inclusion in the annual report on whether they were satisfied the provision of non-	

#	Question	Yes/No/NA
	audit services was compatible with external auditor independence	
Assessment of internal audit		
50	Any appointment or removal of the head of the internal audit function was performed by the Committee	
51	The Committee reviewed the internal audit charter and resources to ensure no unjustified restrictions/limitations were imposed on internal audit activities and that resources were adequate	
52	The Committee considered and discussed the scope and adequacy of the internal audit with the internal auditor, including the internal audit plan, work program and quality and control procedures	
53	The Committee considered the objectivity and performance of the internal audit function	
Compliance with Laws and Regulations		
54	The Committee ensured a compliance framework was established	
55	The Committee understood the current areas of greatest compliance risk and reviewed these areas on a regular basis	
56	The Committee obtained regular updates from management, the Company's legal counsel, auditors and any external parties regarding audit, risk management and compliance matters and regularly reviewed existing compliance systems and deficiencies in	

#	Question	Yes/No/NA
	compliance risk measures	
57	The Committee reviewed legal matters which had the potential to impact compliance and risk management systems and any significant compliance and reporting issues	
58	During the year, the Committee reviewed the effectiveness of the compliance function	
59	The Committee was satisfied that all regulatory compliance matters had been considered in the preparation of the Company's official documents	
60	The Committee obtained from management details of all material non-compliance and material regulator correspondence	
61	The Committee reviewed the findings of any examinations by regulatory agencies and oversaw all liaison activities with regulators	
62	The Committee reviewed the reports of the Company's Whistleblowing Officer	
Committee performance assessment		
63	During the year, the Board reviewed the performance of the Committee and its Chair, to determine if it is functioning effectively by comparing performance with the requirements of the Charter and expectations of such a committee	
64	During the third year, the performance of the Committee and its Chair were reviewed by an independent third party, comparing	

#	Question	Yes/No/NA
	performance with requirements of the charter and expectations of such a Committee	
Periodic Review		
65	During the year, the Committee reviewed and reassessed the Charter and obtained the approval of the Board to any amendments made	