

Three stylized arrows pointing to the right, stacked vertically. The top arrow is solid red, the middle is solid grey, and the bottom is a white outline.

**AUDIT AND RISK  
COMPLIANCE  
COMMITTEE CHARTER**

## **1. THE COMMITTEE – AN OVERVIEW**

The Audit and Risk Committee (Committee) is a committee of the Board of Directors (Board) of Dexion Limited (Dexion Limited or the Company) established under article 10.6 of the Company's constitution. This Charter sets out the role, composition, authority, responsibilities and operation of the Committee:

The role of the Committee is to provide ongoing assurance in areas of:

- Financial administration and reporting;
- Audit control and independence;
- Legal compliance;
- Internal controls; and
- Risk oversight and management.

The existence of this Committee is considered by Dexion Limited to be a key element of its corporate governance program and part of the Company's commitment to best practice in the area of corporate governance.

The Committee supports the full Board and essentially acts in a review and advisory capacity. The Committee is considered to be a more efficient forum than the full Board for focusing on particular issues relevant to:

- Verifying and safeguarding the integrity of the Company's financial reporting;
- Establishing a sound system of risk oversight and management, and, internal control;
- Establishing a sound system of compliance with laws and regulations, internal compliance guidelines, policies, procedures and control systems and prescribed internal standards of behaviour.

The existence of this Committee and the functions performed by it does not purport to diminish the ultimate responsibility of the Board.

## **2. MEMBERSHIP REQUIREMENTS**

The Board of Dexion Limited has resolved that:

- There must be at least 3 members of the Committee;
- Members of the Committee must only be non-executive independent Directors;
- The Chairman of the Committee must be a non-executive independent Director who is not the Chairman of the Board;
- All members of the Committee must be financially literate, at least one member must have financial expertise (ie is a qualified accountant or other financial professional with expertise of financial accounting matters) and some members must have an understanding of the industry in which Dexion Limited operates.

The Board will determine from time to time the persons (meeting the above requirements) to be members of the Committee. There is no prescribed term for membership of the Committee. Members may be appointed or removed by a resolution of the Board. Membership shall cease upon a members ceasing to be a Director. An induction for new members of the Committee shall be provided by the Internal Audit Manager which shall include the provision of an induction booklet in a form approved by the Committee.

### **3. Composition**

The current composition of the Committee is:

- Chairman – Graham Spurling
- Member – Robert Wright
- Member – Ken Boundy
- Managing Director, Peter Farmakis in attendance
- Finance Director, Trefor Clayton in attendance

### **4. Access**

In carrying out their responsibilities, the Committee will have direct access to:

- Both the Internal and External Auditors (with or without management present); and
- Management of Dexion Limited and its subsidiaries.

The Committee shall also have the ability to:

- Obtain independent opinions where they consider it necessary to carry out their duties;
- Obtain explanations and additional information as it requires from time to time.

### **5. Meetings**

The Committee meets as frequently as it considers necessary to discharge its role effectively (but not less frequently than 3 times per financial year). The Chairman of the Committee shall decide upon the timing of the meetings.

The Chief Financial Officer is required to attend all meetings of the Committee and acts as the Committee Secretary. The Chief Financial Officer maintains minutes of the meetings of the Committee which when signed by the Chairman of the Committee constitute a record of the business of the Committee. These signed minutes are circulated to the full Board at the next following Board meeting.

The Committee Secretary shall be responsible, in conjunction with the Chairman, for drawing up and the circulation of agendas and providing any explanatory documentation prior to each meeting.

The Internal and External Audit and members of Dexion Limited management will be invited to attend Committee meetings at the discretion of the Committee.

A quorum shall consist of two members of the Committee. A motion shall be passed by a simple majority of votes cast in favour by members present and eligible to vote. In the event of an equal number of votes being cast for or against a motion, the motion will be referred to the Board for resolution (ie. The Chairman of the Committee does not have a casting vote).

## **6. Role and Objectives**

The primary role of the Committee is to assist the Board in fulfilling its responsibilities relating to:

- Verifying and safeguarding the integrity of the Company's financial reporting and oversee the independence of the external auditors;
- Establishing a sound system of risk oversight and management, and, internal control;
- Establishing a sound system of compliance with laws and regulations, internal compliance guidelines, policies, procedures and control systems and prescribed internal standards of behaviour.

In addition the Committee is available to perform such reviews and inspections as the Board may from time to time direct.

## **7. Duties and Responsibilities**

The Committee is responsible for:

### **Financial Integrity**

- Reviewing and considering the yearly and half yearly accounts;
- Reviewing the integrity of the Company's financial reporting;
- Consider the appropriateness of the Company's accounting policies and principles and any changes and methods of application;
- Discussing the results of the year-end audit and half year review with:
  - The Internal and External Auditors;
  - The Managing Director;
  - The Chief Executive Officer;
  - The Board,

Prior to the finalisation of the accounts;

- Reviewing the management letter issued by the External Auditors;
- Reviewing the management representation letter provided by the Managing Director and the Chief Financial Officer.

### **Internal Control Environment**

- Review the effectiveness of the Company's internal control environment covering:
  - Effectiveness and efficiency of operations;

- Reliability of financial reporting;
- Compliance with applicable laws and regulations and company policy.

## **Risk Management**

- The establishment of policies on risk oversight and management which:
  - Describe the roles and respective accountabilities of the Board, the Committee, management and Internal Audit;
  - Provide for overseeing the establishment and implementation of the Company's risk management system;
  - Provide for review (at least annually) of the effectiveness of the Company's implementation of its risk management system;
  - Provide (with regular review and update) a risk profile for the Company describing material risks (both financial and non financial) facing the Company;
  - Oversees (via the Company's Internal Audit function) the Company's internal compliance and control systems established by management. Including reviewing the effectiveness of these systems in identifying, assessing, monitoring and managing material risks throughout the organisation.

## **Compliance**

- Assessing the internal processes in place for ensuring legal compliance, in particular those responsibilities imposed under the Corporations Act, and other relevant legislation including the ASX Listing Rules.

## **Control and Independence**

- Recommending to the Board the appointment of External Auditors and their fee;
- Reviewing the performance of the Internal and External Audit Managers and overseeing and appraising the quality of audits conducted by the Internal and External Auditors;
- Establishing processes to ensure the independence and competence of Dexion Limited's External Auditors;
- Ensuring that the internal audit function remains independent of the External Auditor;
- Reinforce management's commitment to the implementation of approved recommendations;
- Maintain, by regular meetings, open lines of communication among the Board, the Internal Audit Managers and the External Auditors, to enable an exchange of views and information, as well as confirm their respective authority and responsibilities;
- Approving the Internal and External Audit yearly audit plans for the Company and its subsidiaries and overseeing the scope of audits to be conducted;
- Resolving outstanding items arising from any audit as necessary;
- Ensuring issues raised by Internal and External Audit are resolved in a timely and positive manner;

- Ensuring that no management restrictions are placed upon access to relevant information or personnel by Internal and External Auditors;
- The Internal Audit Manager shall not be appointed or removed by the Managing Director without the prior approval of the Committee.

### **General**

- Referring to the Board matters of significant concern arising from the Committee's mandate;
- Reviewing and updating this Charter annually.

## **8. REPORTING**

The Board will be kept informed of the Committee's activities as necessary by the Chairman of the Committee. The Committee Secretary will circulate signed minutes of the meetings of the Committee at the next following meeting of the Board.

The Committee will provide a written report to the Board prior to the publication of the Company's full year accounts. This report will contain all matters relevant to the Committee's role and responsibilities, including:

- Assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholders needs;
- Assessment of the management processes supporting external reporting;
- Procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- Recommendations for the appointment or removal of the External Auditor;
- Assessment of the performance and independence of the External Auditors and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- Assessment of the performance and objectivity of the internal audit function;
- The results of its review of risk management and internal compliance and control systems;
- The results of the annual review of the terms of this Charter.