

PENTAL LIMITED

CHARTER: AUDIT AND RISK COMMITTEE



Charter: Audit and Risk Committee

Background

The Pental Limited Audit and Risk Committee is appointed by the Board of Directors to assist the Board in fulfilling its corporate governance and oversight responsibilities covering in particular the following areas in relation to:

- Corporate reporting processes, including the financial reporting process
- Risk management and internal control
- External Audit
- Internal audit and compliance

This responsibility extends to all operations of the Group.

Authority

The board authorises the Audit and Risk Committee, within its scope of responsibilities, to perform the activities identified within this charter. As such, the Committee members have unrestricted access to management, staff, financial records and external auditors, as they may consider appropriate and necessary.

Membership

The Audit & Risk Committee will consist of at least three non-executive members of the Board, the majority being independent, one of whom will be appointed Chairman.

The board will appoint Audit and Risk Committee members and the Audit and Risk committee chair who will be independent and not the chair of the board.

Members will be appointed to the Audit and Risk Committee for an initial term of three years. Composition of the committee will be reviewed every three years (or earlier as required) to ensure the appropriate balance of skills, knowledge and experience.

Periodic rotation of Committee members is to be encouraged, with no more than one member leaving the committee pursuant to rotation in any one year unless circumstances dictate otherwise.

The Company Secretary of the board will be the Secretary of this Committee.

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Meetings

The Audit and Risk Committee will meet at least four times a year or more frequently as necessary. Where required Committee meetings may be held via teleconference or videoconference.

An agenda and meeting papers including briefing papers will be prepared and provided in advance to members and where considered appropriate non-members invited to attend the Audit and Risk Committee.

The agenda shall be decided by the Chairman after consultation with other members of the Committee and the Chief Executive Officer and Chief Financial Officer of Pental Limited.

Minutes of meetings will be prepared and circulated to audit committee members and all board members.

A quorum for a committee meeting will be a majority of committee members.

Meeting attendance by Non-Members

All directors may attend Audit and Risk committee meetings.

Senior executives and other appropriate personnel may be invited to attend Audit and Risk Committee meetings, although not necessarily for the full duration of the meeting.

The following personnel are also expected to attend by invitation on a regular basis:

- Chief Executive Officer
- Chief Financial Officer
- Representative of external auditors

The Audit and Risk Committee will meet with the representatives of the external auditors, without management being present, at least on an annual basis and more frequently if deemed necessary by the Chairman.

Reporting

The Chairman of the Audit and Risk Committee will report to the board about audit committee matters and activities and make appropriate recommendations including findings at the Board meeting following each Audit & Risk Committee meeting or earlier as required.

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Review

The Committee will conduct an annual review of its performance and effectiveness. This review process will include a review of the terms of this charter.

Responsibilities

The Audit and Risk committee will carry out the following responsibilities:

Corporate Reporting

- Review the half year (if relevant) and annual financial statements presented by management, together with reports and opinions from the external auditor.
- Review significant accounting and reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant accounting estimates and judgements and the assessment of going concern.
- Review recent regulatory and professional pronouncements and understand their impact on the financial statements.
- Review the results of the audit with the external auditor, including significant adjustments, uncorrected misstatements and any difficulties encountered or unresolved disagreements with management.
- Review the appropriateness of disclosures in the financial statements and financial reporting to stakeholders, particularly in regard to estimates and judgements.
- Review all matters required to be communicated to the audit committee under Australian Auditing Standards with management and the external auditor, such as key audit matters for listed companies, significant internal control deficiencies, indications of fraud or corruption and non-compliance with laws or regulations.
- Review management representations, including the CEO and CFO declarations regarding the financial report and financial records.
- Provide a recommendation to the board whether the financial report should be approved, based on review of the financial statements, note disclosures and other information.
- Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the entity and its operations, and is unbiased.
- Review management's process for ensuring that information contained in analyst briefings, investor presentations and press announcements is consistent with published financial information, and is balanced and transparent.

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External Audit

- Assess the quality and effectiveness of the audit conducted and evaluate performance of the auditor.
- Provide a recommendation to the board on the selection, appointment, re-appointment or replacement of the external auditor and rotation of the engagement partner.
- Review with the external auditor the scope and terms of the audit and the audit fee including a review of non-audit services provided by the external auditor.
- Review the audit plan for coverage of material risks and financial reporting requirements.
- Monitor and review auditor independence and objectivity.
- Establish ongoing communications with the auditors and ensure access to directors and the audit committee.
- Review reports from the external auditors (including auditor's reports, closing reports and management letters).
- Discuss with the external auditors matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management response.

Risk Management, Fraud and Internal Control

- Consider the impact of the entity's culture on risk management and internal control.
- Review disclosures in the annual corporate governance statement in relation to the recognition and management of business risks.
- Consider the adequacy and effectiveness of the internal control, financial and management reporting and risk management framework by reviewing risk registers and reports from management, internal audit and external audit, and by monitoring management responses and actions to correct any noted deficiencies.
- Understand the processes management has implemented for managing insurable risks and, if applicable, self-insurance, including assessing the adequacy of insurance cover.
- Review the business continuity planning process and be satisfied that material risks are identified and appropriate business continuity plans are in place.

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Risk Management, Fraud and Internal Control

- Review management's anti-fraud/corruption strategies and programs.
- Enquire of management and the external auditor regarding their assessments of the risk of material misstatement in the financial report due to fraud.
- Enquire of management and the external auditor whether they are aware of any actual, suspected or alleged fraud or corruption affecting the entity and how they responded to such instances.

Compliance and Ethics

- Consider the impact of the entity's culture on compliance processes.
- Monitor the impact of changes in key laws, regulations, internal policies and Accounting Standards affecting the entity's operations.
- Review the effectiveness of the entity's systems, policies and practices that relate to compliance with laws, regulations, internal policies and Accounting Standards, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review and, where applicable, approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution.

Approved and Adopted

This revised version was approved by the Board on 14/12/2017