

# AUDIT AND RISK COMMITTEE CHARTER

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## 1.0 INTRODUCTION

The Audit and Risk Committee (the "Committee") is established as a committee of the Board of the Company on the terms set out in this Charter and in accordance with the Board's Charter and the Company's Constitution.

## 2.0 COMMITTEE PURPOSE

The purpose of the Committee is to assist the Board in fulfilling its responsibilities for financial reporting, internal controls, risk management and internal and external audit.

## 3.0 COMPOSITION

- 3.1 The Committee is appointed by the Board in accordance with Clause 122 of the Constitution.
- 3.2 The Committee is to consist of:
  - 3.2.1 only Non-Executive Directors;
  - 3.2.2 at least three (3) Members;
  - 3.2.3 a majority of independent Directors';
  - 3.2.4 members who are financially literate (that is, able to read and understand financial statements); and
  - 3.2.5 members who collectively have the necessary technical knowledge and industry knowledge in which the Company operates.
- 3.3 The Chairman of the Committee is to be an Independent Non-Executive Director and is to be appointed by the Board.
- 3.4 The Chairman of the Committee must not be the same person as the Chairman of the Board, and will be a person regarded as having a strong level of financial expertise, that is, an accountant or financial professional with experience in accounting and financial matters.
- 3.5 The Company Secretary is the secretary of the Committee and is to attend all Committee Meetings to ensure minutes are taken of the Meeting.

## 4.0 MEETINGS

- 4.1 The Committee will meet at least four times per annum, preferably once in each calendar quarter.
- 4.2 Additional meetings may be convened as required or as requested by the Chairman of the Committee, any member of the Committee, the external auditor or the Chairman of the Board.
- 4.3 An agenda will be prepared and circulated to Members and other Directors prior to the meeting.
- 4.4 Should the Chairman be absent from the meeting, the Members of the Committee have the authority to choose one of their number to chair that particular meeting or the Chairman in advance can delegate the authority.
- 4.5 Attendance by Members at Committee meetings will be disclosed in the annual report.
- 4.6 The Chairman may invite members of management, representatives of the external auditors and / or other external advisors to be present at meeting of the Committee as necessary or desirable. Board members may attend any meeting of the Committee.
- 4.7 At least once per year, the Committee shall meet with the external auditor without management present.
- 4.8 The Company Secretary will be responsible for Committee agendas (in consultation with the Committee Chairman), the co-ordination of Committee papers, the despatch of Committee papers and the preparation of minutes of Committee meetings.
- 4.9 All recommendations of the Committee required to be referred to the Board according to this Charter will be referred to the Board for approval.
- 4.10 The meetings and proceedings of the Committee shall be governed by the provisions of the Company's Constitution regulating meeting and proceedings of Directors in so far as these provisions are applicable and not inconsistent with this Charter.

## 5.0 QUORUM

A minimum of any three (3) Members shall constitute a quorum.

## 6.0 REPORTING RESPONSIBILITIES

- 6.1 Proceedings of all meetings are to be minuted, approved by the Committee and signed by the Chairman of the meeting. Minutes of meetings are tabled at Board meetings.
- 6.2 The Chairman of the Committee or delegate will report to the Board as soon as practicable after each Committee meeting any matter that in the Committee's opinion should be brought to the attention of the Board.

## 7.0 AUTHORITY AND ACCESS

- 7.1 The Committee reports to the Board.
- 7.2 The external auditor reports to the Committee and the Board.
- 7.3 The Committee has direct and unlimited access to all records and staff of the Company and the external auditors.
- 7.4 The Chairman of the Committee receives all reports between the external auditor and management.
- 7.5 The Committee has the authority to:
  - 7.5.1 Conduct or oversee any investigation required to fulfil its responsibilities or any matters specifically requested by the Board;
  - 7.5.2 Obtain independent professional advice and engage independent experts to assist the Committee to carry out its duties; and
  - 7.5.3 Obtain reports and additional information from any Company personnel as it deems necessary.

## 8.0 DUTIES AND RESPONSIBILITIES

- 8.1 Financial Reporting
  - 8.1.1 Review the statutory financial reports of the Group to ensure the Committee is satisfied the reports provide a true and fair view of the financial affairs of the Group.
  - 8.1.2 Review the process implemented to support the certification to be provided by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) as to the truth and fairness of the Company's financial reports and that those reports are based on a sound system of risk management and internal compliance and control in so far as they relate to financial reports.
  - 8.1.3 Review the financial reports and statements for the Company's subsidiaries where relevant.
  - 8.1.4 Assess whether external reporting meets the needs of stakeholders.
  - 8.1.5 Review the audited half-yearly and yearly financial reports and statements with management and the external auditor and recommend the approval or otherwise by the Board.
- 8.2 Financial Risk Management and Internal Control
  - 8.2.1 Discuss with management and the external auditors, the Company's accounting and financial controls including the policies and procedures to assess monitor and supervise financial risk.
  - 8.2.2 In conjunction with management and the external auditor, review the applicable Company accounting policies and any changes that have been adopted to ensure they are in accordance with the stated financial reporting framework.
  - 8.2.3 Make recommendations to the Board on significant accounting and financial policy changes.
  - 8.2.4 Review all reports produced by the external auditor and management's response to the matters raised to ensure that the Committee is satisfied that accounting records are properly maintained in accordance with statutory requirements.
- 8.3 Risk Management and Internal Control
  - 8.3.1 Reviewing, monitoring and reporting to the Board on the effectiveness of the Company's Risk Management system including processes adopted by management to implement the Risk Management Policy approved by the Board.

- 8.3.2 Critically review and monitor the risks, controls and risk action plans reported by management.
- 8.3.3 Review and consider the effectiveness of the Company's internal control system.
- 8.3.4 Review whether a sound and effective approach has been followed in developing operational risk management plans for major projects or undertakings.
- 8.3.5 Monitor management's responsiveness to findings and recommendations of the external auditors with respect to internal control systems and procedures.
- 8.3.6 Ensure that a discussion of the Company's Risk Framework occurs periodically with the Board.
- 8.3.7 Report any material changes in risk profile to the Board.
- 8.3.8 Evaluate the Company's insurance strategy at least annually in terms of the Company's risk assessment.
- 8.3.9 Review the effectiveness of the Company's Risk Framework for ensuring compliance with laws and regulations.
- 8.3.10 Review regular updates from management with respect to the Company's compliance with significant statutory requirements.
- 8.3.11 Consider the findings of any examinations by regulatory bodies.

## 8.4 External Audit

- 8.4.1 Review and recommend to the Board the appointment of the external auditor.
- 8.4.2 Review the terms of engagement and fees.
- 8.4.3 Consider and review the intended scope of work, process and reports of the external auditor.
- 8.4.4 Review the performance and remuneration of the external auditor taking into account the opinions of management.
- 8.4.5 Establish and review policies as appropriate in regards to independence of the external audit Policy on Appointment of External Auditors.
- 8.4.6 Establish policies as appropriate and consider the independence of the external auditor. In determining auditor independence, the Committee is to consider:
  - 8.4.6.1 The external auditor's confirmation of the firm's continuing independence and the independence of the senior audit partner;
  - 8.4.6.2 Company policies on the provision of non-audit services by the external auditor;
  - 8.4.6.3 The fees for audit and non-audit services provided by the external auditor on a regular basis;
  - 8.4.6.4 The rotation of audit partners; and
  - 8.4.6.5 Company policy on the employment of former employees of the external auditor.

## 8.5 Internal Audit

Internal Audit is an independent and objective assurance and consulting function designed to add value and improve Blackmores' operations. The Audit and Risk Committee commits Internal Audit to work collaboratively to:

- delivering consistent, seamless and high-quality service to Blackmores,
- strengthening the Blackmores' control performance and enhancing the efficiency of the Blackmores' control environment,
- providing business improvements opportunities as an outcome.

- 8.5.1 Make recommendations to the Board on the appointment, remuneration, removal and monitoring of the effectiveness and independence of Internal Audit;
- 8.5.2 Ensure that there is a direct reporting line from Internal Audit to the Audit and Risk Committee;
- 8.5.3 Periodically review the Internal Audit charter and resourcing (including organisation structure, staffing qualifications and skills, funding and equipment);
- 8.5.4 Review and approve the scope of the Internal Audit plan and work program;

- 8.5.5 Discuss and resolve any issues arising from Internal Audit reports and consider the implications of Internal Audit findings for the control environment;
- 8.5.6 Monitor and assess management's responsiveness to Internal Audit findings and recommendations;
- 8.5.7 Ensure that the Internal Auditor and the external auditor programs are appropriately coordinated to achieve maximum effectiveness and avoid duplication; and
- 8.5.8 Provide the opportunity for Audit & Risk Committee members to meet with the Internal Auditor without management personnel being present at least once a year.

## 9.0 REPORTING LINES TO THE COMMITTEE

- 9.1 For the purpose of the independence of their function, the external auditor has a direct line of reporting access to the Committee.
- 9.2 Under the terms of the Company's Good Faith Policy, the Company's staff has access to the Committee's Chair if required.

## 10.0 RULES AND REVIEW OF THE CHARTER

- 10.1 The Committee may adopt rules and regulations it deems appropriate for the conduct of its affairs provided only that they are not inconsistent with the Terms of Reference delegated by the Board.
- 10.2 The Charter is reviewed annually by the Committee to:
  - 10.2.1 ensure it remains consistent with the Committee's authority, objectives and responsibilities; and
  - 10.2.2 confirm all activities listed in this charter have been addressed.
- 10.3 The Charter may be amended by resolution of the Board

## 11.0 PUBLICATION

The Committee Charter will be posted on Blackmores' website [blackmores.com.au](http://blackmores.com.au)