



**HRL Holdings Limited**

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# Audit and Risk Committee Charter

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## 1. Purpose

The Committee's purpose is to identify and recommend implementation of policies, practices and processes, to receive reports from management, and to monitor performance, so that HRL Holding Limited (HRL or Group) discharges its responsibilities to exercise due care, diligence and skill in relation to:

- reporting of financial information
- application of accounting policies
- financial management
- internal control systems
- risk management systems
- business policies and practices
- protection of assets
- compliance with relevant laws, regulations, standards and best practice guidelines.

The Committee has no executive or governing status and reports to the Board of Directors.

## 2. Guidelines

In carrying out its purpose the Committee will have regard to-

- the corporate governance policies, recommendations and guidelines adopted by the Australian Securities Exchange,
- the expectation of the Board of Directors that the Committee will focus the attention of the Board, management, staff and external auditors on establishing high standards for management of the Group's businesses, the protection of its assets and acknowledging that the laws of locations where the Group operates have established minimum standards for compliance in these areas, and
- the expectation of the Board of Directors that the Group will strive to achieve consistency throughout its operations in all parts of the world in the fundamentals of financial accountability, compliance, control and reporting.

## 3. Memberships

The Board Chair is responsible for nominating the Committee Chair for approval by the Board.

The Committee Chair must be an independent, non-executive director and not the Chair of the Board of Directors.

The members of the Committee, and its Chairman, are appointed and may be removed, by the Board of Directors.

HRL will comply as far as possible with the ASX Recommendations as to the Committee composition namely it will, where practicable, comprise:

- at least three (3) members;
- all members will be non-executive directors; and
- the majority of the members will also be independent directors.

Where this composition is not practicable then HRL will ensure that the Committee comprises:

- at least two (2) members; and
- at least two (2) members will be non-executive directors; and
- the majority of the members will also be independent directors and if there are only two (2) members then both will be independent directors.



HRL will seek to wherever practicable rotate Audit & Risk committee members such that:

- they are on the committee for a maximum term of 5 years; and
- there is a staggered rotation of Committee members.

The Chairman of the Board of Directors, and any director, are entitled to be present at all meetings of the Committee.

At least one committee member must have accounting or related financial expertise and at least one member must have relevant industry experience.

Should the committee Chair be absent from a meeting, the committee members present must appoint a Chair for that particular meeting, who should not be the Chair of the Board.

Unless the Chairman of the Committee directs otherwise in relation to a specific meeting of the Committee, the following persons are to be invited to meetings of the Committee, and provided with all notices and papers circulated to members of the Committee:

- the Chief Executive Officer
- the Chief Financial Officer
- the Company Secretary
- the responsible partner of the Group's external auditors.

#### **4. Education**

The company will assist the committee in maintaining appropriate financial literacy. The company is responsible for providing new members with an appropriate induction program and educational opportunities, and the full committee with educational resources relating to accounting principles and procedures, current accounting topics pertinent to the company, and other resources, as reasonable requested by the committee

#### **5. Secretarial Support**

The Company will provide secretarial support to the Committee.

Proceedings of all meetings are to be minuted by the Company Secretary, approved by the Committee, and signed by the Committee Chair.

#### **6. Quorum**

The quorum necessary for the transaction of business shall be 2 members.

#### **7. Frequency of Meetings**

The Committee will meet at least 3 times a year, and will time those meetings to enable it to review and make specific recommendations to the Board of Directors on:

- the half-yearly financial statements,
- the annual report (including the annual financial statements, corporate governance statements, and remuneration report),
- the scope, cover and cost of the insurance program for the Group, and
- this Charter.



## 8. Notice of Meetings

Meetings of the Committee shall be convened by the Company Secretary at the request of any of its members.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, all other non-executive directors and any other person required to attend, no later than 5 days before the date of the meeting.

## 9. Reporting Responsibilities

Minutes of Committee meetings and an update from the Committee Chair is to be provided at the following Board meeting.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## 10. Duties/Responsibilities

The Committee shall consider any matters in relation to the purpose of the Committee set out herein and any other matter referred to it by the Board.

The main duties and responsibilities of the Committee are as follows:

### 10.1 Financial Integrity

The Committee must critically review the actions and judgment of management in relation to Financial Statements, paying particular attention to:

- The appropriateness and consistency of, and any changes to, accounting policies and practices adopted, both on a year-on-year basis and across the Group.
- Compliance with applicable accounting standards, the ASX Listing Rules and other legal requirements and the appropriateness of estimates and judgements, taking into account the views of the external auditor.
- Decisions requiring a major element of judgment.
- The effect of any significant or unusual transactions, how they are disclosed and the methods used to account for such transactions where different approaches in accounting are possible.
- Material audit adjustments.
- The going concern assumption.
- The clarity and adequacy of disclosures.
- The management representation letter to the external auditors.
- All material information presented with the Financial Statements.

### 10.2 Internal Audit

The Committee must approve the appointment, remuneration and removal of any head of internal audit.

The Committee must approve and review progress against the internal audit work plan:

- Review the internal audit coverage and annual work plan, and monitor progress of the work plan.

- Advise the board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan.
- Oversee the co-ordination of audit programs conducted by internal and external audit respectively and monitor the action items arising from those.
- Review significant internal audit reports and findings.

## 10.3 Internal Controls and Risk Management

The Committee must:

- Satisfy itself that the Group has appropriate resources and effective systems to identify, assess, treat and report risks material to the achievement of the Group's strategic plans and objectives.
- Develop and refine, in conjunction with the Board, the Company's overall risk appetite, tolerance and strategy.
- Review the company's key risk management documents annually, including the risk appetite statement, risk management policy and framework, group-wide risk register, risk heat map and risk controls assurance register.
- Ensure the company has an effective risk management system that specifically addresses economic matters.
- Address the effectiveness of the internal control, risk management and performance management systems with management and auditors.
- Seek advice and assurance from providers of internal controls that key control activities are working effectively.
- Monitor and critique management's responsiveness to findings and recommendations arising from the internal controls program.

After reviewing the Group risk registers, the Committee may request the relevant "risk owner" from management to present to the Committee to detail how a particular key risk is controlled, and give Directors an opportunity to ask questions and obtain deeper knowledge as to how the company manages that risk.

## 10.4 Compliance

In relation to the Group compliance program, the Committee should:

- Review the effectiveness of the systems for monitoring compliance with laws, regulations and associated government policies the company must comply with.
- Provide advice to the Board regarding the issue of the company's legislative compliance.
- Assess effectiveness of, and compliance with, the corporate code of conduct and compliance with group-wide policies and procedures.
- Obtain regular updates from management about compliance matters of significance.

## 10.5 External Audit effectiveness

The Committee should:

- Make recommendations to the Board on the appointment, remuneration, and monitoring of the effectiveness and independence of the external audit provider.
- At the start of each audit, agree the terms of engagement with the provider and review the annual engagement letter.
- Monitor and critique management's responsiveness to the external audit provider's

findings and recommendations.

- Meet regularly with the external auditor, without management present.
- Advise the Board on the rotation of the external audit partner at suitable intervals to meet independence guidelines.

## 10.6 Other Responsibilities

Other duties the Committee should address include:

- Review and endorse the company's Group insurance program.
- Review the company's Whistleblowers Complaints Register and associated procedures.
- Review and monitor the propriety of any related party transactions.
- Review the remit of the company's compliance and risk management program and ensure there are adequate resources and access to information to enable it to be undertaken effectively.
- Review and monitor the company's workplace health and safety policies, procedures and reporting to systematically manage health and safety at work and to minimise the risk of injury and illness from workplace operations.
- Perform other activities related to the Charter as requested by the Board.
- Confirm that all responsibilities outlined in the Charter have been carried out. To assist with this process, a yearly review should be conducted against the Audit Committee Program which highlights the required Committee actions to be completed throughout the year.

The Committee should satisfy itself that management have provided it with assurance that it has effectively implemented:

- The Group Code of Conduct,
- The Group Information Management Policy,
- Procedures for detecting fraud, and
- Procedures for preventing bribery and corruption.

## 11. Authority

The Committee is authorised to:

- seek any information it requires from any employee/director of the company in order to perform its duties;
- obtain, at the company's expense, external legal or other professional advice on any matter within its terms of reference where required; and
- request the attendance of any employee at a meeting of the committee as and when required.

## 12. Review of Charter

The Charter is reviewed annually by the Committee to keep them up to date and consistent with the Committee's authority, objectives, and responsibilities.

**This Charter was reviewed by the Board of Directors, following recommendations from the Committee, and adopted on 6 February 2020.**