



## Audit and Risk Committee Charter

### 1. Purpose of this Charter

The purpose of this charter is to specify the authority delegated to the Audit and Risk Committee (“**ARC**”) by the Board of Directors of Articore Group Limited (“**Articore**” or the “**Company**”, and collectively with its subsidiaries, “**Articore Group**”) and to set out the role, responsibilities, membership and operation of the ARC.

### 2. Authority

The ARC has been established in accordance with the Articore Constitution and has the role and responsibilities set out in this charter.

### 3. Objectives of the ARC

The ARC’s objectives are to review and make recommendations to the Board in relation to its accounting, auditing, financial reporting and risk management responsibilities.

The ARC’s responsibilities in this regard include:

- (a) maintaining and continually improving the quality, accuracy and integrity of Articore Group’s external financial reporting and financial statements;
- (b) overseeing the appointment, remuneration, independence and effective performance of Articore Group’s external auditors;
- (c) ensuring that Articore Group applies and maintains appropriate accounting and business policies and procedures;
- (d) overseeing the effectiveness of Articore Group’s risk management framework and internal controls; and
- (e) overseeing the effectiveness of Articore Group’s legal and regulatory compliance framework.

### 4. ARC’s responsibilities

#### 4.1 Internal control and risk management

In this area, the ARC’s responsibilities include:

- (a) monitoring Articore Group’s risk profile following management’s reporting of material risks facing Articore Group and reporting any material changes in risk profile to the Board;
- (b) overseeing the design and implementation of Articore Group’s risk management framework, including reviewing whether an internal audit capability is required;
- (c) reviewing and making recommendations on the strategic direction, objectives and

- effectiveness of Articore Group's financial and operational risk management policies;
- (d) assessing and ensuring that there are internal processes for determining and managing key risk areas, such as:
    - (i) non-compliance with laws, regulations, standards and best practice guidelines;
    - (ii) important judgments and accounting estimates;
    - (iii) litigation and claims;
    - (iv) fraud and theft; and
    - (v) relevant business risks not dealt with by other Board committees;
  - (e) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually.
  - (f) overseeing investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting, and reviewing the "lessons learnt";
  - (g) monitoring management's performance against the risk management framework, including:
    - (i) assessing whether management is operating within the risk appetite set by the board;
    - (ii) assessing the adequacy and effectiveness of the systems of internal control and reporting system surrounding key financial and operational processes by considering the reports and recommendations of internal (if applicable) and external audit and information provided by management;
    - (iii) monitoring the implementation of agreed recommendations in respect of internal controls; and
    - (iv) ensuring that the scope of the annual risk review encompasses whether the Company is operating with due regard to the risk appetite set by the Board;
  - (h) making recommendations to the Board in relation to changes that should be made to the Company's risk management framework or to the risk appetite set by the Board;
  - (i) receiving reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
  - (j) making publicly available a description of Articore Group's risk management framework in the corporate governance section of Articore Group's website;
  - (k) to the extent Articore Group has an internal audit function, making recommendations to the Board for the appointment or, if necessary, the dismissal of the internal auditor;
  - (l) encouraging and facilitating voluntary reporting by employees to the ARC of breaches of internal controls and Articore Group policies, and incidents within the risk areas above;

- (m) reviewing the procedures in place to ensure best practice compliance with insider trading laws, continuous disclosure requirements and other corporate governance processes;
- (n) evaluating the structure and adequacy of Articore Group's insurances on an annual basis; and
- (o) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk.

#### 4.2 External reporting

In this area, the ARC's responsibilities include:

- (a) reviewing the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports;
- (b) overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (c) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from external auditors;
- (d) overseeing the implementation of procedures to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management and which effectively safeguard the assets of Articore Group, including the Group Chief Executive Officer and Group Chief Financial Officer's written statements in this regard;
- (e) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by Articore Group of financial and non-financial information;
- (f) monitoring and reporting to the Board on taxation management and compliance;
- (g) assessing (before publication) whether external reporting is consistent with ARC members' information and knowledge and is adequate for shareholder needs;
- (h) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on Articore Group and making recommendations to the Board on their approval or amendment;
- (i) ensuring that a comprehensive process is established to capture issues for the purpose of continuous disclosure reporting to ASX;
- (j) reviewing the completeness and accuracy of Articore Group's main corporate governance practices as required by ASX Listing Rules;
- (k) assessing information from external auditors that affects the quality of financial reports;

- (l) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by Articore Group;
- (m) assessing solvency and the going concern assumption;
- (n) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur;
- (o) overseeing procedures for the receipt, retention and treatment of complaints received by Articore Group regarding accounting, internal accounting controls and auditing matters, and procedures for the anonymous submission of concerns by personnel regarding accounting and auditing matters; and
- (p) recommending to the Board whether the financial and non-financial statements should be signed based on the ARC's assessment of them. In particular, the ARC should assess their accuracy and their truth and fairness as a basis for recommendation to the Board.

#### 4.3 External audit

The ARC provides a link between the external auditor and the Board and has the responsibility and authority for the appointment and removal of the external auditor.

In this area, the ARC's responsibilities include:

- (a) overseeing Articore Group's External Audit Policy, a copy of which is contained in Schedule 1 to this charter;
- (b) making recommendations to the Board on the process for selection, the appointment (or termination) and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (c) agreeing the terms and scope of engagement of the external auditor, including identified risk areas and any additional procedures, before the start of each audit;
- (d) reviewing reports on significant items and findings from the external auditors and management's response to those items and reporting to the Board as appropriate;
- (e) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (f) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance, including their relationship with management, and objectivity, on an annual basis;
- (g) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence and, if required, developing policies for Board approval to ensure this does not occur;

- (h) inviting the external auditor to attend ARC meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (i) raising with the external auditor any specific points of divergence with Articore Group's management;
- (j) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate;
- (k) meeting with the external auditor without management present at least once a year; and (l) establishing and making publicly available in the corporate governance section of Articore Group's website information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

#### 4.4 Related party transactions

The ARC is responsible for reviewing and monitoring the propriety and materiality of related party transactions and, where necessary, their appropriate disclosure.

### 5. **Membership**

#### 5.1 Composition and size

- (a) The ARC will consist of only non-executive directors. The ARC shall have at least three members, a majority of which shall be independent directors; and
- (b) The Board is responsible for the appointment of members to the ARC, for setting the term of member appointments and for the revocation of any such appointments.
- (c) Members may withdraw from membership by written notification to the Board.

#### 5.2 Chair & Secretary

- (a) The Chair of the ARC must be an independent non-executive director who is not the Chair of the Board.
- (b) The Chair of the ARC is appointed by the Board. If, for a particular ARC meeting, the ARC Chair is not present within 10 minutes of the nominated starting time of the meeting, the ARC may choose one of their members to be the Chair for the meeting.
- (c) The Chair will attend Articore's Annual General Meetings and be prepared to respond to any shareholder questions on ARC's activities.
- (d) The Company Secretary is the secretary of the ARC.

#### 5.3 Technical expertise

The ARC must be structured so that:

- (a) all members are financially literate, that is, are able to read and understand financial statements;

- (b) at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters; and
- (c) all members have an understanding of the industry in which Articore Group operates.

#### 5.4 Skills development

If the ARC Chair approves, an ARC member may attend seminars or training related to the functions and responsibilities of the ARC at Articore's expense.

#### 5.5 Commitment of ARC members

ARC members must devote the necessary time and attention for the ARC to carry out its responsibilities.

At the first ARC meeting after their appointment and when the Board reviews ARC membership, each ARC member must confirm that they are able to devote sufficient time and attention to the ARC for the coming year.

### **6. ARC meetings and processes**

- (a) Meetings and proceedings of the ARC are governed by the provisions of the Constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this charter.
- (b) The ARC will meet as frequently as required to undertake its role effectively, but not less than four times per calendar year. The Chair must call a meeting of the ARC if requested by any member of the ARC, the external auditor or the Chair of the Board.
- (c) Two directors constitute a quorum for meetings of the ARC.
- (d) The Group Chief Executive Officer and Group Chief Financial Officer are expected to attend each scheduled meeting of the ARC and a standing invitation will be issued to the external auditors.
- (e) The Chair of the ARC may invite any person from time to time to attend meetings of the ARC. The ARC may request management and/or others to provide such input and advice as is required.
- (f) The Secretary will keep minutes to record the proceedings and resolutions of the ARC.

### **7. Access to information and advisors**

The Chair of the ARC receives all reports between the external auditor and management. The ARC has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the ARC requires;

- (b) access Articore Group's documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- (d) access management and internal and external auditors, without management present.

## **8. Reporting**

The Chair of the ARC, or delegate, will report to the Board after each ARC meeting. Minutes of ARC meetings will be included in the papers for the next Board meeting after each ARC meeting.

## **9. Review of ARC's performance**

The ARC will review its role and responsibilities and evaluate the effectiveness of its performance at least annually, or earlier if circumstances dictate.

## **10. Review of and publication of the charter**

- (a) This charter may be amended by resolution of the Board. The Board will review this charter at least annually and amend as appropriate.
- (b) The ARC will review this charter from time to time to keep it up to date and consistent with the ARC's authority, objectives and responsibilities and report to the Board any changes it considers should be made.
- (c) This charter is available at [www.articore.com](http://www.articore.com) and any key features are published in the Articore Group Corporate Governance Statement.

# Schedule 1

## External Audit Policy

### 1. Overview

This Policy was drafted by the Audit & Risk Committee (“**ARC**”) being a committee of the Board of Directors of Articore Group Limited (“**Articore**” or the “**Company**”, and collectively with its subsidiaries, “**Articore Group**”) and sets out the key principles that apply to Articore’s engagement of external auditors. The ARC provides the link between the Board and the external auditor and is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor;
- (b) reviewing the external auditor's delivery and performance under its external audit plan; and
- (c) monitoring auditor independence.

This Policy should be read in conjunction with the Audit & Risk Committee Charter, which outlines the other responsibilities of the ARC in relation to the provision of audit services.

### 2. Appointment

The ARC is responsible for making recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor and for evaluating the external auditor's effectiveness and independence. The ARC will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

### 3. Assessment of External Auditor

The ARC will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness and performance of the external auditor, the ARC will use a number of criteria including, but not limited to:

- (a) the comprehensiveness of the external audit plan;
- (b) timeliness and quality of communications agreed to be delivered under the plan and delivered during the audit;
- (c) the competency and industry knowledge of the external audit staff;
- (d) adequacy of resources to achieve the scope set out in the external audit plan;
- (e) the independence of the external auditor; and
- (f) remuneration and cost-effectiveness.

The ARC will consult with management during the assessment process.

Where the external auditor performance is assessed as unsatisfactory, the ARC will recommend to



the Board the appropriate course of action, which may include:

- (a) engagement with the external audit firm to agree steps to resolve the performance issues;
- (b) changes to the external audit team; and/or
- (c) commencement of a tender process to select a new external audit firm.

#### **4. Independence of External Auditor**

The external auditor must remain independent of Articore Group at all times.

The ARC will review and assess the independence of the external auditor, including but not limited to any relationships with Articore Group or any other entity that may impair or appear to impair the external auditor's judgment or independence in respect of Articore Group. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the ARC will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of Non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

The assessment of auditor independence will consider independence in fact, but also in appearance and whether a reasonable third party, having knowledge of all relevant information, would reasonably conclude that the firm's independence had not been compromised.

Before the directors approve the half-year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the ARC, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The ARC has responsibility to develop and oversee the implementation of Articore Group's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

#### **5. Provision of Non-audit Services by External Auditor**

##### **5.1 What are Non-audit Services and Prohibited Non-audit Services?**

**Non-audit Services** are those services provided by the external auditor which are not included in, or are not necessarily incidental to, the terms of the audit engagement. Non-audit Services do not include Prohibited Non-audit Services.

**Prohibited Non-audit Services** are those services that, if provided by the external auditor to Articore Group, would create a real or perceived threat to the independence of the external auditor.

## 5.2 Restriction on Non-audit Services to be provided by external auditor

The external auditor is precluded from providing services that may threaten its independence or conflict with its assurance and compliance role.

Specifically, the external auditor may not provide any Prohibited Non-audit Services to Articore Group. Unless the ARC decides otherwise, the following are Prohibited Non-audit Services:

- (a) performing internal audit services;
- (b) providing actuarial services;
- (c) management functions;
- (d) providing advice on deal structuring and related documentation;
- (e) providing IT systems services;
- (f) performing executive recruitment or extensive human resources functions; (g) acting as a broker-dealer, promoter or underwriter; or
- (h) providing legal services.

## 5.3 Approvals required

To ensure auditor independence is maintained, Articore Group requires all engagements of the external auditor to provide Non-audit Services to be approved in writing by the Group Chief Financial Officer or by the ARC, as follows:

- (a) the Group Chief Financial Officer will have delegated authority to approve Non-audit Services having a value up to \$50,000 in a single instance or \$100,000 in the aggregate; and
- (b) the ARC's approval is required for engagements for Non-audit Services having a value over \$50,000 in a single instance or \$100,000 in the aggregate.

In each case, the external auditor will be required to provide a written submission to the Company outlining why the proposed engagement would not compromise the external auditor's independence.

In assessing a proposed engagement for Non-audit Services, the Group Chief Financial Officer or the ARC (as applicable) will consider:

- (a) the external auditor's written submission referred to above;
- (b) the nature of the service provided;
- (c) the dollar value and period of the proposed engagement;

- (d) the dollar value of all other approved Non-audit Services provided or to be provided during the financial year;
- (e) the availability of alternate service providers and the reasoning for recommending the external auditor;
- (f) the external audit firm's self-assessment of its independence risk, including safeguards to mitigate perceived risks;
- (g) whether the provision of the Non-audit Services creates a threat to the independence of the external auditor; and
- (h) any other circumstances relevant to the engagement.

#### 5.4 Reporting

The Group Chief Financial Officer must report to each ARC meeting regarding:

- (a) any Non-audit Services provided by the external auditor during the financial year;
- (b) the amounts paid to the external auditor for services referred to in paragraph (a); and
- (c) any Non-audit Services yet to be provided by the external auditor and the amounts expected to be paid to the external auditor for those services.

The ARC must provide an annual report to the Board with respect to the Non-audit Services provided by the external auditor during the year. The report must include:

- (a) the amounts paid or payable to the external auditor for Non-audit Services provided during the year;
- (b) a statement whether the ARC is satisfied that the provision of those services during the year is compatible with the general standard of independence for auditors; and
- (c) the reasons for the ARC's opinion.

#### **6. Rotation**

The external audit engagement partner is required to rotate at least once every five years.