

## **Audit & Risk Management Committee Charter [Adopted 25 January 2007]**

### **1. INTRODUCTION AND PURPOSE**

- 1.1 This Charter sets out the role and responsibilities, composition, structure and membership requirements of The MAC's Audit and Risk Management Committee (*Committee*).
- 1.2 The Committee has the following areas of focus:
  - a. particular issues relating to verifying and safeguarding the integrity of The MAC's financial reporting;
  - b. risk oversight and management; and
  - c. internal control.
- 1.3 The MAC establishes the Committee as part of its compliance with ASX Listing Rules 1.1 and 12.7. As a member of the top 300 companies listed on the S&P/ASX All Ordinaries Index, The MAC notes that the requirements for audit committees stated in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations are compulsory, pursuant to the Listing Rules.
- 1.4 The Committee has been established, and this Charter has been created, to comply with the requirements in the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.

### **2. MEMBERSHIP REQUIREMENTS, STRUCTURE AND COMPOSITION**

- 2.1 The Committee will have a minimum of 3 members who are Directors of The MAC.
- 2.2 In order for the Committee to be able to exercise independent judgment, all members on the Committee are to be Independent Directors<sup>1</sup>, as defined in The MAC Directors Independence Policy.
- 2.3 The Chairperson of the Committee is to be independent, and cannot be the Chairperson of the Board.
- 2.4 The Committee must have at least the following technical expertise:
  - a. all members must be financially literate; that is have the ability to read and understand financial statements;
  - b. at least one member must have financial expertise; that is be a qualified accountant or other financial professional with experience of financial and accounting matters; and
  - c. at least one member must have an understanding of the industry in which The MAC operates.

### **3. MEETINGS**

- 3.1 The Committee will meet at least quarterly. Additional meetings can be called by any member when necessary.
- 3.2 The Committee will keep minutes of its meetings. The minutes are to be included in the papers for the next full Board meeting after each Committee meeting.

### **4. INTERNAL AUDIT FUNCTION**

- 4.1 The responsibilities of the internal audit function are:

- a. Establish a charter for the internal audit function, determine the internal audit resource requirements and recommend to the Board the internal or external (out-sourced) provision of internal audit services;
  - b. Appraise and approve the strategic and annual audit plans and work programme of the internal auditor and, as necessary, communicate the committee's expectations to the internal auditor in writing;
  - c. Monitor and assess the performance and effectiveness of the internal auditor through internal audit reports and from management feedback;
  - d. Review and monitor management's responsiveness to the internal auditor's findings and recommendations;
  - e. Oversee the coordination of the internal and external auditors;
  - f. Ensure that the internal auditor reports through the MD/CEO to the Audit & Risk Management Committee;
  - g. At least annually meet with the internal auditor without management present;
  - h. Review and assess any prospect of auditor replacement, tender for internal auditor services as required and make appropriate recommendations to the Board;
  - i. Review and monitor related party transactions and assess their propriety.
- 4.2 The internal audit function will have necessary access to management and the right to seek information and explanations.
- 4.3 The internal audit function is to be independent of the External Auditor.
- 4.4 The MAC will establish a second reporting line from the internal audit function to the Board, in order to enhance the objectivity and performance of the internal audit function.
- 4.5 The Committee will assess the performance and objectivity of the internal audit function, and report its findings to the Board.

## 5. EXTERNAL AUDITOR

- 5.1 The responsibilities of the Audit & Risk management Committee in relation to the External Auditor(s) are:
- a. Review and agree the terms of engagement of the external auditor at the commencement of each audit;
  - b. Review the scope of the external audit with the auditor, including identified areas of risk, and additional procedures if required;
  - c. Review the external auditor's fee, ensuring that a comprehensive and complete audit can be conducted for the agreed fee;
  - d. Evaluate the performance of the external auditors, including assessment of the auditor's independence taking into account factors which may impair the auditor's judgement in audit matters related to the company, including but not limited to:
    - I. the provision of non-audit services by the auditor (if any);
    - II. the number of former employees of the auditor in senior positions in the company;
    - III. the overall economic importance of the company to the auditor;
    - IV. any other relationships with the company or any other party;

- e. Review the auditor's findings and management's responsiveness thereto, discussing with the auditor any matters involving disagreement whether resolved or otherwise;
- f. At least annually, meet with the auditor without management present;
- g. Review and assess any management recommendation and, in accordance with this policy or otherwise, consider the prospect of auditor replacement, tender for auditor services as required, and make appropriate recommendations to the Board;
- h. Subject to (g) above, ensure the rotation of the audit partner, and other persons playing a significant role in the audit, at intervals not exceeding 5 years.

## 6. ROLE AND RESPONSIBILITIES

6.1 The Committee is to:

- a. review the integrity of The MAC's financial reporting; and
- b. report the results of its review to the Board.

6.2 In order to sufficiently review the integrity of The MAC's financial reporting, the Committee must:

- a. review the accounts/reports;
- b. review and continually develop the internal and external audits process;
- c. review the results of the internal and external audits;
- d. review and continually develop financial reporting and disclosure methods; and
- e. interaction with management and External Auditors.

6.3 The Committee will recommend to the Board the appointment and dismissal of any chief internal audit executive.

6.4 The Committee is to oversee the scope of the internal audit, and will have access to the internal audit function without the presence of management.

6.5 The Committee will review the procedures for the selection and appointment of the External Auditor, assess the performance and independence of the External Auditor and ensure the rotation of external audit engagement partners.

### *Risk oversight and management*

6.6 The Committee is to establish policies on risk oversight and management. The policies are to

- a. clearly describe the roles and respective accountabilities of the Board, the Committee, management and any internal audit function; and
- b. contain the following components:
  - I. oversight;
  - II. risk profile: a description of the material risks (both financial and non-financial) facing The MAC. This should be reviewed and updated at least half yearly;
  - III. risk management;
  - IV. compliance and control; and
  - V. an assessment of effectiveness: to be conducted through the internal audit function.

- 6.7 It is part of the Board's oversight role to oversee the establishment and implementation of the risk management system, and to review at least annually the effectiveness of The MAC's implementation of that system.
- 6.8 Management is responsible for establishing and implementing a system for identifying, assessing, monitoring and managing material risk throughout The MAC. This system will include The MAC's internal compliance and control systems.
- 6.9 Procedures are to be put in place to ensure that investors are informed of material changes to The MAC's risk profile.

## 7. REPORTS TO THE BOARD

- 7.1 The Committee will submit a report to the Board at least half yearly.
- 7.2 The Committee's reports to the Board are to contain all matters relevant to the Committee's role and responsibilities. This includes, but is not limited to:
  - a. an assessment of whether external reporting is consistent with the information and knowledge of Committee members;
  - b. an assessment of whether external reporting is adequate for shareholder needs;
  - c. an assessment of the management processes supporting external reporting;
  - d. procedures for the selection and appointment of the External Auditor and for the rotation of external audit engagement partners;
  - e. recommendations for the appointment or removal of an auditor;
  - f. an assessment of the performance and independence of the External Auditor(s) and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
  - g. an assessment of the performance and objectivity of the internal audit function; and
  - h. results of its review of the risk management and internal compliance and control systems.
- 7.3 The Chief Executive Officer and the Chief Financial Officer of The MAC must state in writing to the Board that:
  - a. The MAC's financial reports present a true and fair view, in all material respects, of The MAC's financial condition and operational results and are in accordance with relevant accounting standards;
  - b. the statement in (a) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
  - c. The MAC's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- 7.4 In signing-off on the efficient and effective operation of the risk management and internal compliance and control system, the focus is on:
  - a. whether the system is appropriately designed to enable effective risk management; and
  - b. whether the system is operating effectively to achieve the desired business outcomes.
- 7.5 The sign-off on effectiveness of risk management and internal control:
  - a. aims to provide a reasonable but not absolute level of assurance;
  - b. does not provide a guarantee against adverse events or loss or more volatile outcomes

arising; and

- c. in satisfying its risk oversight role, the Board may require appropriate management assurance against other material business risks and associated controls.

- 7.6 The sign-off in relation to systems and controls relating to financial reporting does not suggest a diminution of senior management accountability in relation to other aspects of The MAC's risk management and control system, in respect of which the Board does not require sign-off.
- 7.7 The Chief Executive Officer and Chief Financial Officer will have access to appropriate information, for example Board deliberations on financial matters for the purpose of the sign-off.
- 7.8 The ultimate responsibility of ensuring the integrity of The MAC's financial reporting remains with the Board.

## **8. POWER AND ACCESS TO RESOURCES**

- 8.1 The Committee is to be given all power and resources that are necessary for it to meet this Charter. This includes:
  - a. rights of access to management;
  - b. rights of access to internal and external auditors without management being present;
  - c. rights to seek explanations and additional information from any employee of The MAC;

## **9. PUBLIC DISCLOSURE**

- 9.1 The following information will be included in the corporate governance section of The MAC's Annual Reports:
  - a. details of the names and qualifications of those appointed to the Committee;
  - b. the number of meetings of the Committee and the names of the attendees; and
  - c. explanation of any departures from the relevant ASX Best Practice Recommendations.
- 9.2 The following material will be made publicly available by posting it to The MAC's website in clearly marked corporate governance section:
  - a. the Committee Charter;
  - b. information on procedures for the selection and appointment of the External Auditor, and for the rotation of external audit engagement partners; and
  - c. a description of The MAC's risk management policy and internal compliance and control system to ensure visibility of implementation of risk management systems. This includes a description of the risk profile of The MAC, which will explain in qualitative terms the material business risks facing The MAC excluding commercially sensitive information.