



# AUDIT AND RISK COMMITTEE CHARTER

LGL-021 V4.0

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**TITOMIC**

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# AUDIT AND RISK COMMITTEE CHARTER



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## 1.0 PURPOSE AND AUTHORITY

### 1.1 PURPOSE

The purpose of this Audit and Risk Committee Charter is to formalise in accordance with the Constitution of Titomic Limited (**Company**) the authority delegated to the Audit and Risk Committee (**Committee**) by the board of directors of the **Company (Board)** and to set out the role, responsibilities, membership and operation of the Committee.

### 1.2 AUTHORITY

The Committee is a committee of the Board established in accordance with the Company's constitution and authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in this charter and granted to it pursuant to any separate resolutions of the Board from time to time.

## 2.0 ROLE OF THE COMMITTEE

The roles of the Committee are to:

- a. assist the Board achieve its governance objectives in relation to:
  - i. financial reporting;
  - ii. the application of accounting policies;
  - iii. business policies and practices;
  - iv. legal and regulatory compliance; and
  - v. internal control and risk management systems;
- b. maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- c. promote a culture of compliance within the Company and the Board;
- d. provide a forum for communication between the Board and management of the Company in relation to audit and compliance matters (including those matters set out in this paragraph 2);
- e. ensure effective external audit functions and communication between the Board and the external auditor; and
- f. review and comment on management's plans for managing the material risks faced by the Company from time to time.

### 2.1 EXTERNAL FINANCIAL REPORTING

The responsibilities of the Committee in respect of external financial reporting are:

- a. engaging in the proactive oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process;
- b. assessing the appropriateness and application of the Company's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- c. assessing any significant estimates or judgments in the financial reports of the Company;
- d. approving the terms of engagement with the Company's external auditor at the beginning of each financial year;

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- e. assessing information from the external auditor that may affect the quality of the Company's financial reports;
- f. discussing any draft audit opinion letter and management letter with the external auditors before it is finalised;
- g. obtaining, as required from time to time, independent judgment and opinion from the external auditor about:
  - i. the acceptability and appropriateness of accounting policies and principles put forward by management; and
  - ii. the clarity of current or proposed financial disclosure practices as put forward by management;
- h. regularly reviewing with the external auditor:
  - i. the scope of any external audit;
  - ii. identified risk areas and mitigation strategies; and
  - iii. any other agreed procedures;
- i. approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation;
- j. recommending to the Board for approval, the appointment or removal of an external auditor;
- k. recommending to the Board for approval, the remuneration of the external auditor as appropriate (from time to time) and in doing so ensuring that the external auditor:
  - i. lacks any current or past connection or association with the Company or with any member of senior management of the Company which could in any way impair, or be seen to carry with it any risk of impairing the independence of any review the external auditor is appointed to undertake in relation to the Company;
  - ii. has a demonstrated a robust reputation for independence, probity and professional standing within the business community; and
  - iii. possesses knowledge of the industry within which the Company operates;
- l. regularly reviewing the performance, effectiveness and independence of the external auditor, including annual receipt of an independence report from the external auditor;
- m. approving the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;

meeting periodically with the external auditors and, if considered appropriate, inviting them to attend Committee meetings to:

review their plans for carrying out internal control reviews; and

consider any comments made in the external auditor's management letter, and in particular, any comments about material weaknesses in internal controls and management's response to those matters;

reviewing and approving as required, documents and reports to regulators;

following up on any matter raised by the Board regarding financial reports, audit opinions and management letters;

establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns regarding accounting and auditing matters;



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reviewing management processes supporting external reporting, and any complaints or concerns raised internally regarding financial or accounting processes and practices;

ensuring that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management; and

any other responsibilities as determined by the Board from time to time

## 2.2 RISK MANAGEMENT

The Company does not have an internal audit function. Accordingly, the responsibility of evaluating and improving the effectiveness of the Company's risk management and internal control processes rests primarily with the Committee.

Specifically, the Committee's responsibilities in respect of risk management are:

### ***Risk management and internal compliance and control systems***

- a. overseeing the establishment and implementation of risk management and control systems and ensuring that there is a mechanism for assessing the ongoing efficiency and effectiveness of those systems;
- b. reviewing and approving policies and procedures on risk oversight and management to establish an effective and efficient system for:
  - iv. identifying, assessing, monitoring and managing risk; and
  - v. disclosing any material change to the Company's risk profile;
- c. receiving reports concerning the Company's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Company;

### ***Disclosure and reporting***

- d. ensuring that there is an established and comprehensive process to capture all information that must be disclosed to ASX; and
- e. reviewing the processes for ensuring and monitoring compliance with all laws, regulations and other requirements relating to the external reporting of financial and non-financial information.

## 2.3 OTHER RESPONSIBILITIES

The other responsibilities of the Committee are:

assessing and recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to directors and officer's liability, company reimbursement and professional indemnity;

if it considers appropriate, investigating any complaint or allegation made to it; and

any other responsibilities as determined by the Board from time to time.

## 3.0 MEMBERSHIP

### 3.1 COMPOSITION AND SIZE

The Committee is appointed by the Board and will consist of at least three members, a majority of which must be non-executive directors. The Board will use its reasonable endeavours to appoint a majority of independent directors to the Committee. The Company will disclose the members of the Committee.



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Each member of the Committee must be able to read and understand financial statements. Each member of the Committee should have an understanding of the industry in which the Company operates. Each member is expected to possess adequate regulatory and industry knowledge to carry out his or her responsibilities as a member of the Committee. Each member must be free from any interest, business or other relationship which, in the opinion of the Board, could, or could reasonably be perceived to, materially interfere with the exercise of his or her independent judgment as a member of the Committee.

## 3.2 CHAIRMAN

The chairman of the Committee must not be the chairman of the Board and must be an independent non-executive director. If, for a particular Committee meeting, the Committee chairman is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chairman for the meeting.

## 3.3 SECRETARY

The company secretary is the secretary of the Committee.

## 4.0 COMMITTEE MEETINGS AND PROCESS

### 4.1 MEETINGS

Meetings and proceedings of the Committee are governed by the provisions in the Company's 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.

Committee members may attend meetings in person or by electronic means.

### 4.2 FREQUENCY AND CALLING OF MEETINGS

The Committee will meet as frequently as required to perform its functions and at least annually.

The chairman must call a meeting of the Committee if requested by any member of the Committee. The Company will disclose in relation to each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings.

In cases where circumstances make it impractical to convene and hold a meeting, the Committee may pass resolutions by each member signing a circular resolution.

### 4.3 QUORUM

Two members constitute a quorum for meetings of the Committee.

### 4.4 ATTENDANCE BY OFFICERS AND ADVISERS

The Committee chairman may invite any other directors of the Company who are not members of the Committee and external advisers to attend meetings of the Committee.

### 4.5 NOTICE, ADGENDA AND DOCUMENTS

Unless otherwise agreed or considered necessary by the chairman, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting documentation, will be circulated by the secretary to each Committee member and any other individual invited to attend, not less than seven days before the meeting.



## 4.6 MINUTES

The secretary will keep minute books to record the proceedings and resolutions of Committee meetings, including the names of those present.

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

The Committee must refer any matter of significant importance to the Board for its consideration and attention.

## 4.7 ACCESS TO INFORMATION AND ADVISERS

The Committee has direct and unlimited access to all resources necessary to discharge its duties and responsibilities, including engaging counsel or other experts as it considers appropriate. This may include requesting management or external consultants to provide information to the Committee.

The Committee also has the authority to conduct or direct any investigation required to fulfil its responsibilities

## 5.0 DELEGATION

The Committee may delegate any of its powers and responsibilities as the Committee thinks appropriate for the administration of director, senior executive and employee share, option or other plans, to senior management

## 6.0 COMMITTEE'S PERFORMANCE EVALUATION

The Company Secretary will facilitate a review of the performance of the Committee annually in accordance with processes established by the Board and will report the findings of that review to the Committee and the Board.

The performance evaluation will have regard to, amongst other matters, the extent to which the Committee has met its responsibilities in terms of this charter.

Committee members must be available to meet with external bodies if requested to do so in accordance with relevant laws, regulations or prudential standards.

## 7.0 REVIEW AND PUBLICATION OF THE CHARTER

The Committee will review this charter annually to keep it up to date and consistent with the Committee's authority, objectives and responsibilities and report to the Board any changes it considers should be made. This charter may be amended by resolution of the Board.

This charter will be made available on the Company's website and the key features will be published in the Company's annual report.

Approved by the Board on 10 August 2017.