



Audit and Risk Committee Charter

Smartgroup Corporation Ltd (ACN 126 266 831) (“**Company**”)

Approved by the Board on 13 March 2014 and amended in May 2018

Audit and Risk Committee charter

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Audit and Risk Committee Charter

1 Purpose and authority

1.1 Purpose

The purpose of this Audit and Risk Committee Charter is to specify 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 is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this charter and under any separate resolutions of the Board granted to it from time to time.

2 Role of the Committee

The role of the Committee is to assist the Board in carrying out its accounting, auditing, the legal and regulatory compliance, financial reporting and risk management responsibilities, including oversight of:

- (a) the integrity of the Company's external financial reporting and financial statements and the processes that produce those statements;
- (b) the appointment, remuneration, independence and competence of the Company's external auditors;
- (c) the performance of the internal and external audit functions and review of their audits;
- (d) the Company's policies on the management of business risk and financial and non-financial risks;
- (e) the effectiveness of the Company's framework and system of risk management and internal controls; and
- (f) the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

3 Audit and risk responsibilities

3.1 External reporting

The Committee is responsible for:

- (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 including:
 - (i) quality, accuracy and adequacy of the financial disclosure;

- (ii) changes in accounting policies and practices, and implementation of such changes;
 - (iii) significant and unusual events;
 - (iv) significant adjustments arising from audit;
 - (v) the going concern assumption; and
 - (vi) other matters as defined by the Board;
- (c) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and considering findings from internal and external auditors in relation to estimates;
 - (d) 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 the Company of financial and non-financial information;
 - (e) assessing (before publication) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
 - (f) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the Company and making recommendations to the Board on their approval or amendment;
 - (g) assessing information from internal and external auditors that affects the quality of financial reports;
 - (h) considering findings (if any) from the external auditor relating to the appropriateness of the accounting principles used and the financial disclosure practices used by the Company;
 - (i) assessing solvency and the going concern assumption;
 - (j) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur; and
 - (k) recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

3.2 External audit

The Committee is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (b) reviewing the external auditor's audit plan, nature, approach, scope and proposed fees before the start of each audit;
- (c) agreeing the terms of engagement of the external auditor before the start of each audit;

- (d) 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;
- (e) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance;
- (f) reviewing the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations;
- (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) making recommendations to the Board on the removal of the external auditor;
- (i) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (j) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (k) reviewing the scope of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (l) raising with the external auditor any specific points of divergence with the Company's management;
- (m) monitoring and examining management's response to the external auditor's findings and recommendations;
- (n) reviewing all representation letters signed by management and ensuring all information provided is complete, accurate and appropriate;
- (o) meeting with the external auditor without management present at least once a year; and
- (p) establishing and making publicly available in the corporate governance section of the Company's website information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

3.3 Internal audit

The Committee is responsible for:

- (a) approving the appointment, terms of engagement and dismissal of the chief internal audit officer, risk and compliance manager or equivalent position who has responsibility for the internal audit function;
- (b) reviewing the internal audit function to determine whether its activities are performed independently and with impartiality, proficiency and due professional care;

- (c) approving the internal audit charter which defines the purpose, authority, scope and responsibility of the internal audit function in the Company (and through it, its subsidiaries ("**Group**"));
- (d) overseeing the scope of the internal audit and having access to the internal audit function without management present;
- (e) reviewing the internal auditor's role, responsibilities and resources;
- (f) communicating its expectations to the internal auditor in writing;
- (g) ensuring that the internal auditor reports directly to both:
 - (i) the Committee; and
 - (ii) the Managing Director & Chief Executive Officer,
 on, amongst other matters, the internal auditor's reviews of the adequacy of the Group's processes for managing risk;
- (h) reviewing and approving the internal audit plan and work program;
- (i) evaluating the effectiveness of the internal audit plan and work program and considering the implications of internal audit findings;
- (j) evaluating management's responsiveness to the internal auditor's findings and recommendations;
- (k) assessing the performance, effectiveness and objectivity of the internal audit function;
- (l) overseeing the co-ordination of the internal auditor with the external auditor; and
- (m) meeting with the internal auditor without management present at least once a year.

3.4 Internal control and risk management

The Committee is responsible for:

- (a) overseeing preparation of a risk profile which describes the material risks facing the Group including financial and non-financial matters;
- (b) regularly reviewing and updating the risk profile;
- (c) 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;
- (d) make recommendations to the Board in relation to changes that should be made to the Group's risk management framework or to the risk appetite set by the Board;
- (e) ensuring the Group has policies for overseeing the management of business and financial and non-financial risks.
- (f) ensuring that the Group has an effective risk management system, having regard to relevant guidance issued by the ASX;

- (g) 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 including industrial relations, occupational health and safety, environmental and trade practices laws;
 - (ii) important judgments and accounting estimates;
 - (iii) business licence requirements;
 - (iv) litigation and claims;
 - (v) fraud and theft;
 - (vi) the integrity of the Group's technology platform and communication systems (including disaster recovery plan); and
 - (vii) relevant business risks not dealt with by other Board committees;
- (h) 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;
- (i) conducting or directing the conduct of 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 any "lessons learned";
- (j) evaluating the independence of external auditors;
- (k) monitoring management's performance against the Group's risk management framework, including whether it is operating within the risk appetite set by the Board;
- (l) examining and evaluating the effectiveness of the internal control system with management and internal and external auditors and making improvements;
- (m) making publicly available a description of the Group's risk management policy and internal control and compliance system in the corporate governance section of the Company's website;
- (n) encouraging voluntary reporting by employees to the internal auditor or the Committee of breaches of internal controls and Company policies, and incidents within the risk areas above, having regard to any whistle-blower policy of the Group;
- (o) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk; and
- (p) meeting periodically with key management, internal and external auditors and compliance staff to understand the Group's control environment.

3.5 Related party transactions

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

3.6 Management to provide information

Management must ensure that the Committee is provided with all of the information it requires to discharge its duties effectively (including to carry out its responsibilities under clause 3).

4 Membership

4.1 Composition and size

The Committee will consist of:

- (a) only non-executive directors;
- (b) a majority of independent directors; and
- (c) at least three members.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

4.2 Chairperson

The chairperson of the Committee must be an independent non-executive director who is not the chairperson of the Board.

The chairperson of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chairperson for the meeting.

4.3 Technical expertise

The Committee 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;
- (c) its members understand the Group's structure, controls and typical transactions in order to adequately assess the significant risks faced by the Group; and
- (d) a member understands the industry in which the Group operates.

4.4 Skills development

If the Committee chairperson approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the Company's expense.

4.5 Commitment of Committee members

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

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

4.6 Secretary

The company secretary is the secretary of the Committee.

5 Committee meetings and processes

5.1 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.

5.2 Frequency and calling of meetings

The Committee will meet as frequently as required to undertake its role effectively. The chairperson must call a meeting of the Committee if requested by any member of the Committee, the external auditor, the internal auditor or the chairperson of the Board.

5.3 Quorum

Two directors constitute a quorum for meetings of the Committee.

5.4 Attendance by management and advisors

The Managing Director & Chief Executive Officer and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the internal and external auditors.

The directors who are not members of the Committee may attend meetings of the Committee and the chairperson may also invite other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

5.5 Agenda and documents

The chairperson of the Committee determines the meeting agenda after appropriate consultation.

Unless the Committee agrees otherwise or the chairperson considers necessary, the secretary will distribute the agenda and any related documents to all Committee members and other attendees, as necessary, in sufficient time before each proposed meeting to fairly enable the Committee members and other attendees, as necessary, to review the relevant documents and otherwise prepare for the proposed meeting. Distribution of the papers no less than 5 working days prior to the meeting would constitute sufficient time unless the Committee agrees to shorter notice (or the chairperson considers necessary).

5.6 Access to information and advisors

The chairperson of the Committee receives all reports between the external auditor and management, and the internal auditor and management.

The Committee has the authority to:

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

5.7 Minutes

The secretary will keep minute books to record the proceedings and resolutions of its meetings.

The chairperson 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.

5.8 Conflicts of interest

Members of the Committee will not participate in discussions and will not vote on any issue in respect of which there is an actual or perceived conflict of interest.

Any person with a material personal interest in a matter being considered at a meeting must not be present for consideration of that matter.

5.9 Reporting to the Board

The chairperson of the Committee must:

- (a) report to the Board on any significant matters relevant to the Committee's duties and responsibilities; and
- (b) attend the Board meeting at which the Company's financial statements are approved.

5.10 Committee decisions

Decisions of the Committee may be made at a duly called and constituted meeting or otherwise as agreed by all Committee members.

6 Committee's performance evaluation

The Committee will review its performance as a committee from time to time.

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

The Committee will provide information gathered through the performance evaluation to the Board.

7 Review and publication of charter

The Board will review this charter to ensure it remains relevant to the current needs of the Group. The charter may be amended by resolution of the Board.

The charter is available on the Company's website and the key features are published in the annual report.