



September 2020

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**Audit and Risk Committee Charter**

**Nanosonics Limited**

**ABN 11 095 076 896**

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## 1. PURPOSE

The Audit and Risk Committee is appointed by the Board to assist the Board to discharge its responsibilities in relation to the oversight and monitoring of:

- Corporate reporting processes, including the financial reporting process;
- External audit;
- Risk management and internal control;
- Compliance with laws, regulations, internal policies and industry standards; and
- Activities to prevent, deter, detect and report on fraud.

## 2. AUTHORITY

The Board authorises the Committee to:

- Perform activities identified within this charter;
- Make recommendations to the Board on the appointment, compensation and retention of the external auditor and any internal auditor;
- Approve the terms of the external audit and internal audit engagements;
- Oversee the work of the external auditor and the internal auditor;
- Have direct access to and obtain any information that it requires from any employee or contractor of the Company in order to perform its responsibilities;
- Engage independent legal counsel, accountants or other external advisors as necessary; and
- Have direct access to independent auditors, company tax and other financial advisors, company papers and lawyers.

## 3. COMPOSITION

The Committee will be composed of at least 3 members, a majority of whom must be independent, non-executive directors of the Company.

The chair of the Committee will be independent and not be Chairman of the Board. The chair is responsible for promoting effective communications between the Audit and Risk Committee and the Board, CEO, CFO, other senior management and the external and internal auditors.

The Committee will include members who are financially literate, including:

- At least one member who has financial expertise (i.e. is a qualified accountant or other financial professional with experience in financial and accounting matters); and
- Some members who have an understanding of the industry in which the Company operates.

The Company Secretary will act as the Secretary of the Committee unless otherwise determined by the Committee.

## 4. MEETINGS

The quorum required for a meeting of the Committee will be 2 members.

The Committee will typically meet at least 4 times each year and at such other times as any member of the Committee shall require.

An agenda and meeting papers and appropriate briefing material will be prepared and circulated in advance to each member of the Committee.

The CFO and the external and internal auditor shall be given notice of all meetings and have the right to attend, if it is the desire of the Committee.

The Company Secretary will take minutes of the Committee meetings. Minutes of the Committee meetings will be circulated to all members of the Committee and to the Board at its next meeting.

Other procedural matters regarding meetings of the Committee will be governed by the constitution of the Company, as applicable.

## **5. RESPONSIBILITIES**

The Committee will carry out the following responsibilities:

### **Financial Reporting**

- Gain an understanding of the current areas of greatest financial risk and how they are managed;
- Review significant and complex accounting and reporting issues and understand their impact on financial reports;
- Oversee the periodic financial reporting process implemented by management and review any financial statements and announcements before their release;
- Meet with management and the external auditor to review the financial statements, key accounting and financial policies and decisions, the results of the audit, including significant adjustments and unadjusted differences and any unresolved disagreements with management;
- Review all representation letters signed by management, including the CEO and CFO declarations in relation to the financial reports and records in accordance with the requirements of the Corporations Act 2001; and
- Based on its review of the financial reports, provide a recommendation to the Board whether the financial report should be approved.

### **Working with the external auditor**

- Provide a recommendation to the Board on the appointment, reappointment or termination of the external auditor;
- Ensure rotation of the external auditor every 5 years;
- Monitor and review the performance of the external auditor;
- Consider the independence of the external auditor and any potential conflicts of interest;
- Review the external auditor's proposed audit scope and approach to ensure that it is appropriate and effective;
- Approve proposed audit fees;
- At least once a year meet separately with the external auditor to discuss that the Committee or auditor consider should be discussed privately; and
- Approve any additional services provided by the external auditor such as audits or reviews undertaken for regulatory purposes, completion audits, tax compliance audits and advice on accounting standards, taking into account the Company's Auditor Independence Policy.

### **Oversight of the internal audit function**

- Monitor the activities and effectiveness of the internal audit process;
- Approve the roles and responsibilities of the internal audit function;
- Approve the annual internal audit objectives and risk based priorities;
- Evaluate the quality and objectivity of internal audit work performed; and

- Review reports from the internal auditor on issues arising from the internal audit program and report to the Board on any internal audit findings as appropriate.

#### **Risk management and internal control**

- Ensure that the Company has an appropriate risk management program for identifying, assessing, monitoring and managing risk consistent with the Company's risk appetite, and that those process are operating effectively;
- Ensure that material business risks are appropriately reflected in the Company's risk profile and are reported to the Board regularly;
- Review the overall framework, formal policies and methodology for tax risk identification and management;
- Review (at least annually) the effectiveness of the Company's risk management program;
- Understand the internal control systems implemented by management for the approval of transactions, the recording and processing of financial data and ensuring that financial statements comply with relevant standards and requirements;
- Understand the internal control systems implemented by management for the security of computer systems, including applications and data; and
- Understand the processes management has implemented for managing insurable risks and assess the adequacy of insurance cover.

#### **Other internal and external audit issues**

- Ensure adequate audit coverage is achieved between the internal and external audit functions;
- Ensure that no management restrictions or limitations are placed on internal or external auditors; and
- Monitor and maintain the independence of the internal audit function.

#### **Compliance with laws, regulations, internal policies and contractual obligations**

- Ensure that the Company has implemented a management framework to ensure compliance with laws, regulations, internal policies and contractual obligations;
- Obtain regular updates from management about compliance matters that may have a material impact on the Company's financial statements, strategy, operations or reputation, including any material breaches;
- Review and, and where applicable, approve any policies and processes for identifying and addressing complaints (including whistleblowing) and review material complaints and their resolution;
- Provide to the Remuneration & People Committee and/or Board any relevant information in respect of financial and non-financial risks that should be taken into account before approving the remuneration outcomes for management; and
- Review the Company's process for communication of the Code of Conduct and Ethics to staff and assess the effectiveness of, and compliance with the Code.

#### **Fraud**

- Ascertain whether fraud risks have been included in the assessment of the risk profile of the Company; and
- Review management's approach to prevent, deter, detect and report on fraud and ensure that it is appropriate.

#### **Reporting**

- Report regularly to the Board and make appropriate recommendations;
- Report on the results of its review of the Company's risk and compliance management and internal control systems; and
- Ensure the Board is aware of any matters that may significantly affect the financial condition of the Company.

**Evaluate performance**

- The performance and achievements of the Committee are to be assessed annually by the chair of the Committee.

**Review of the Audit and Risk Committee Charter**

- Review the Audit and Risk Committee Charter annually and discuss proposed changes with the Board.