

# Audit and Risk Committee Charter

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iCar Asia Limited

ACN 157 710 846

Adopted by the Board on 30 July 2012

Reviewed by the Board 27 March 2017



# Committee Charter

## 1 Membership of the Committee

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The Committee must consist of:

- only non-executive directors;
- an independent chair, who is not chair of the Board; and
- a minimum of 3 members of the Board.

The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Non-committee members, including members of management and the external auditor may attend meetings of the Committee at the invitation of the Committee chair.

It is intended that all members of the Committee should be financially literate and have familiarity with financial management and at least one member should have relevant qualifications and experience (ie be a qualified accountant or other finance professional with experience of financial and accounting matters).

The Company Secretary to be invited to attend all Committee meetings as minute secretary.

## 2 Role & Responsibilities

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### 2.1 Overview

The Committee's key responsibilities and functions are to:

- (a) oversee the Company's relationship with the external auditor and the external audit function generally;
- (b) oversee the preparation of the financial statements and reports;
- (c) oversee the Company's financial controls and systems; and
- (d) in conjunction with the Board, manage the process of identification and management of financial and operational risk.

### 2.2 Audit

The Committee's primary roles are:

- to assist the Board in relation to the reporting of financial information;
- the appropriate application and amendment of accounting policies;
- the appointment, independence and remuneration of the external auditor; and
- to provide a link between the external auditors, the Board and management of the Company.

The Committee, in conducting its duties, will give consideration to which of the following are appropriate to form part of the procedures for the Committee's audit responsibility from time to time:

- (a) Engage in the pro-active oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process (including review of the Company's financial statements for accuracy and to ensure they reflect a true and fair view, as a basis for recommendation to and adoption by the Board).
- (b) Assist the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices.
- (c) Review financial statements for adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial results and oversee the financial reports and the results of external audit of those reports (including assessing whether external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs).
- (d) Review the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports (or any changes made or contemplated in relation to the Company's accounting policies) and assess the management processes supporting external reporting.
- (e) Review management processes supporting external reporting, and any complaints or concerns raised internally regarding financial or accounting processes and practices.
- (f) In conjunction with the Board, ensure 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.
- (g) Approve the scope of the audit for Board approval.
- (h) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary.
- (i) Review the performance, independence and objectivity of the external auditors.
- (j) Review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners.
- (k) Assume responsibility for the appointment (including the termination of an engagement), compensation, the terms of engagement and other contractual terms of the external auditors.
- (l) Develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy.
- (m) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's annual report.

### 2.3 Risk and compliance

The Committee's specific function with respect to risk management is to review and report to the Board that:

- (a) the Company's ongoing risk management program effectively identifies all areas of potential risk;
- (b) adequate policies and procedures have been designed and implemented to manage identified risks;
- (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (d) an appropriate mitigation strategy is taken up.

The Committee, in conducting its duties, will give consideration to which of the following are appropriate to form part of the procedures for the Committee's risk and compliance responsibilities from time to time:

- Overseeing the audit process aimed at evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks.
- Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors.
- Evaluating the structure and adequacy of the Group's own insurances on an annual basis.
- Reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies.
- Reviewing the Group's main corporate governance practices for completeness and accuracy.
- Reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and AASB requirements).
- Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework.
- Reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.
- Reporting all significant risks and any mitigation plans to the Board.

### 3 Relationship with the external auditor

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The Committee 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 and to review the terms of its engagement.

The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Attachment 1.

## 4 Administrative matters

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### 4.1 Meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet every two months.

### 4.2 Quorum

The quorum is at least 2 members.

### **4.3 Convening and notice of meeting**

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee of every meeting of the Committee at the member's advised address for service of notice (or such other pre-notified interim address where relevant), but there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

### **4.4 Chair**

In the absence of the Committee chair, the Committee members must elect one of their number as chair for that meeting. The chair does not have a casting vote.

### **4.5 Access to resources and independent advisers**

The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.

The Committee may seek the advice of the Company's auditors, solicitors or other independent advisers (including external consultants and specialists) as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require.

### **4.6 Minutes**

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee Chair, be presented at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and will be open at all times for inspection by any director.

### **4.7 Reporting**

The Committee chair will prepare a report of the actions of the Committee to be included in the Board papers for the Board meeting next following a meeting of the Committee. The report will include provision of meeting agendas, papers and minutes of the Committee.

The Committee chair will also, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors will be permitted, within the Board meeting, to request information of the Committee chair or members of the Committee.

## **5 Review**

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The Board will, at least once in each year, review the membership and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

## External Audit Policy

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### **Appointment**

The Audit and Risk Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

### **Assessment of External Auditor**

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

### **Independence**

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. 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 Committee 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.

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 Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

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

### **Rotation of External Audit Engagement Partner**

The external audit engagement partner is required to rotate at least once every 5 years.