

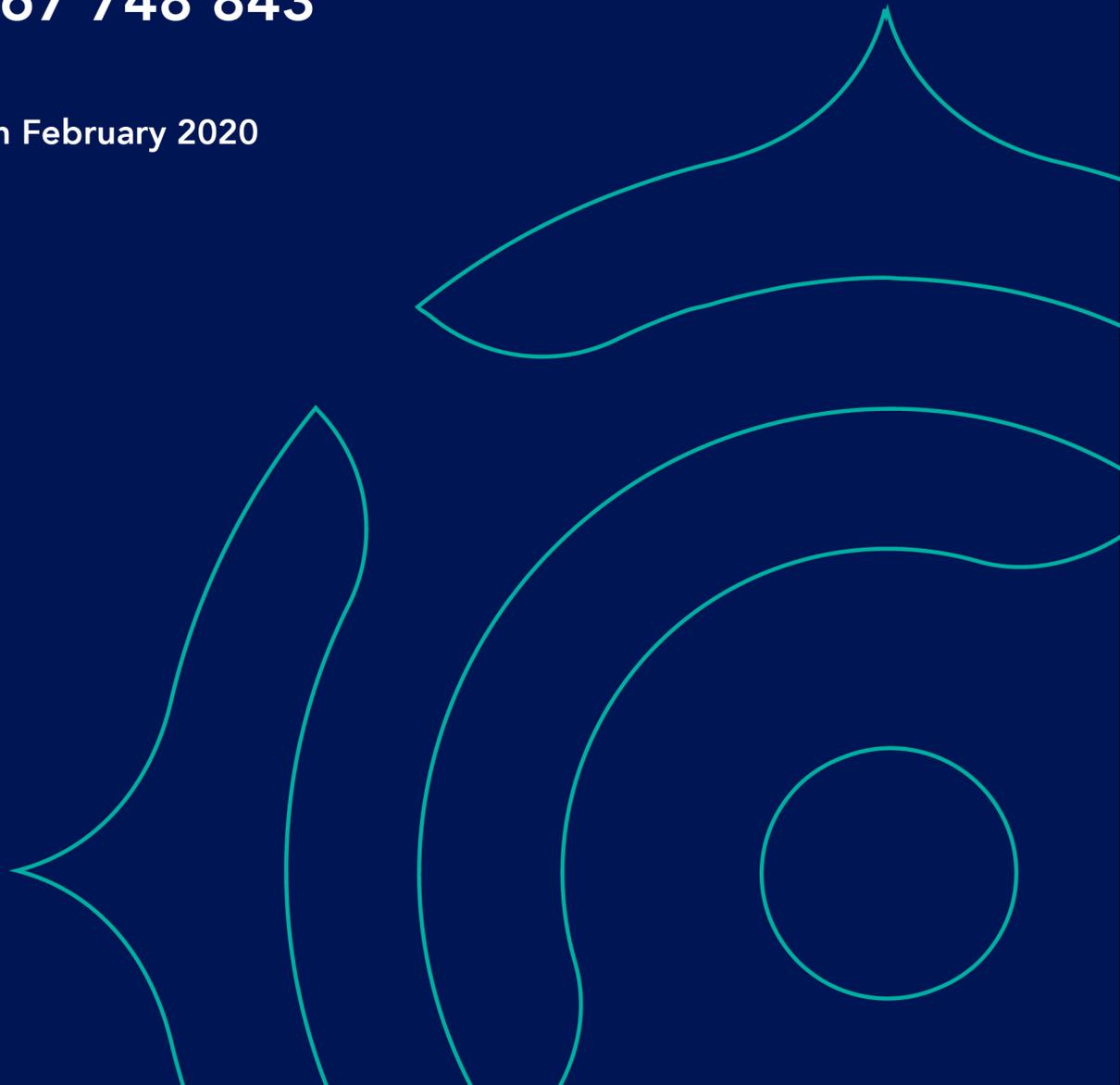


# Audit and risk committee charter

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Famaforce Limited  
ACN 167 748 843

Dated: 20th February 2020



# FARMAFORCE LIMITED ACN 167 748 843

## AUDIT AND RISK COMMITTEE CHARTER

### 1. Purpose of Charter

1.1 The FarmaForce Limited ACN 167 748 843 (the **Company**) Audit and Risk Committee Charter (the Charter) governs the operations of the Audit and Risk Committee (the **Committee**). It sets out the Committee's role and responsibilities, composition, structure and membership requirements. The Committee has been established to assist the board of the Company (the **Board**) in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process.

1.2 The Committee shall review and reassess the Charter at least annually and, on each occasion, shall obtain the approval of the Board to the form of the Charter.

### 2. Membership

2.1 The Committee shall consist of members of, and be appointed by, the Board. It shall be of sufficient size, independence and technical expertise to discharge its mandate effectively. The Committee shall consist of:

- 2.1.1 at least three members;
- 2.1.2 a majority of non-executive directors;
- 2.1.3 where possible, a majority of independent directors; and
- 2.1.4 an independent chairperson.

2.2 The Board will have the discretion to appoint members to the Committee who are independent to the Board in addition to the above.

2.3 Membership shall be reviewed periodically by the Board and re-appointment to the Committee is not automatic. Appointments and removals are decided by the Board. The effect of ceasing to be a director of the Board is the automatic termination of appointment as a member of the Committee.

#### Chairperson

2.4 The Chairperson of the Committee (the **Chairperson**) must be an independent nonexecutive director.

2.5 The Board appoints the Chairperson from time to time. If, for a particular Committee meeting, the Chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect another member of the Committee as a chairperson for the meeting.

#### Technical Expertise

2.6 The Committee must be structured so that:

2.6.1 all members are financially literate (i.e. are able to read and understand financial statements).

2.6.2 at least one member shall have either an accounting and/or related financial management expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters); and

2.6.3 some members shall have an understanding of the industries in which the Company operates.

### **Secretary**

2.7 The secretary of the Committee shall be the Company Secretary, or such other person as nominated by the Board.

## **3. Meetings**

3.1 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.

3.2 The Committee shall meet as often as required in order for it to undertake its role effectively, being at least four times each year. The Chairperson must call a meeting of the Committee if requested by any member of the Committee, the external auditor, the Internal Audit and Risk Manager (if one has been appointed) or the Chairperson of the Board.

3.3 The Committee shall meet in private session at least annually to assess management's effectiveness.

3.4 Special meetings may be convened as required. The Chairperson will call a meeting of the Committee if requested to do so by any member of the Committee, by the external auditors or by the Chairperson of the Board.

### **Purpose**

3.5 The purpose of Audit and Risk Committee meetings shall be to:

3.5.1 review and approve internal audit and external audit plans; 3.5.2 update the internal and external audit plans;

3.5.3 review and approve financial reports; and

3.5.4 review the effectiveness of the compliance function in general.

### **Quorum**

3.6 A quorum for any meeting will be two members.

### **Decision Making**

3.7 Matters before the Committee will be determined on a consensus. In the event of a disagreement, decisions on any matter are made by the majority, with the chairperson of the

meeting having a second, casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.

#### **Attendance by management and advisors**

3.8 The Committee may invite such other persons (e.g. staff, Chief Executive Officer, Chief Financial Officer, the Internal Audit and Risk Manager external parties) to its meetings, as it deems necessary (whether on a permanent or ad hoc basis).

3.9 The Chairperson may also invite directors who are not members of the Committee. The Committee may request management and others to provide input and advice as is required.

#### **Agendas and Minutes**

3.10 It is the responsibility of the Chairperson to determine the meeting agenda.

3.11 The secretary will distribute the agenda and any related documents to all Committee members and other attendees before each proposed meeting.

3.12 The secretary will keep minute books to record the proceedings and resolutions of Committee meetings and these will be included in the papers for the next Board meeting after each Audit and Risk Committee meeting.

### **4. Authority**

4.1 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 obligations.

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

- 4.2.1 the effectiveness of the Company's system of risk management and internal controls;
- 4.2.2 the integrity of the Company's external financial reporting and financial statements;
- 4.2.3 the appointment, independence and competence of the Company's external auditors;
- 4.2.4 the performance of the external audit functions and review of their audits; and
- 4.2.5 the establishment and/or the performance of the internal audit and risk function including the performance of the Internal Audit and Risk Manager.

4.3 The Board authorises the Committee, within the scope of its responsibilities, to:

- 4.3.1 investigate any matter brought to its attention with full access to all books, records and facilities;

4.3.2 seek any information it requires from all employees, including management (and all employees are directed to co-operate with any request made by the Committee) or external parties;

4.3.3 obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties without seeking approval of the Board or management; and

4.3.4 ensure the attendance of Company officers at meetings as it thinks appropriate.

4.4 The performance of these functions will enable the Company to comply with its obligations under the Corporations Act 2001, the ASX Listing Rules and any other legislative requirements.

## **5. Duties and responsibilities**

### **Understanding the Company's Business**

5.1 The Committee shall ensure it understands the Company's structure, business and controls to ensure that it can adequately identify a risk profile which not only describes the material business risks facing the Company, including financial and non-financial matters, but also defines the Company's risk exposure across all relevant risk categories.

### **Financial Reporting**

5.2 One of the Committee's primary responsibilities is to oversee the Company's financial reporting process on behalf of the Board and to report the results of its activities to the Board. The Committee shall:

5.2.1 review the Company's financial statements to determine whether they are accurate and complete and make any necessary recommendations to the Board;

5.2.2 review 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;

5.2.3 review the appropriateness of significant accounting policies and principles adopted by the Company, and any changes to those policies and principles and the methods of applying them to ensure compliance with AIFRS and generally accepted accounting principles;

5.2.4 overseeing the preparation of a financial reporting timetable and reviewing the results of external audits of those reports;

5.2.5 assess any significant estimates and judgments in financial reports by examining the processes used to make material estimates and judgments and make enquiries of external auditors and any internal auditors as to the basis for their conclusions on the reasonableness of management's estimates;

5.2.6 consider financial matters relevant to half yearly reporting in a timely manner; and

5.2.7 review other financial information distributed externally as required.

## Reporting to the Board

5.3 The Committee shall regularly report to the Board on all matters relevant to the Committee's role and responsibilities, including ensuring that the key risks facing the Company are reported to the Board.

5.4 The Committee will have responsibility for approving changes to the Risk Management Policy and notifying such changes to the Board.

5.5 The Chairperson will report, and as appropriate, make recommendations to the Board after each meeting of the Committee on matters dealt with by the Committee.

5.6 As and when appropriate, the Committee will seek direction and guidance from the Board on audit, risk management and compliance matters.

5.7 The Committee shall ensure that the Board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company in a timely manner. Assessment and approval of accounting, financial and internal controls

5.8 Periodically, the Committee shall meet separately with management, the internal auditors, and the external auditors to discuss:

5.8.1 the adequacy and effectiveness of the accounting and financial policies and controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs; and

5.8.2 issues and concerns warranting Audit and Risk Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.

5.9 The Committee shall provide sufficient opportunity for the internal auditors and the external auditors to meet privately with the members of the Committee. The Committee shall review with the external auditor any audit problems or difficulties and management's response.

5.10 The Committee shall receive regular reports from the external auditor on the appropriateness of critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

5.11 The Committee shall have primary responsibility for the review and approval of the Risk Management Framework, including policies and procedures, to ensure that material business risks are properly identified and managed and that appropriate systems of monitoring and control are in place.

5.12 The Committee shall have primary responsibility for assessing and ensuring there are internal processes for determining and managing key risk areas, as defined in the company's Risk Management Policy and Framework.

## Appointment of external auditors and scope of external audit

5.13 The Committee shall oversee the procedures for the selection and appointment of the external auditor and for the rotation of the external audit engagement partners, having regard to the recommendations it receives from management.

5.14 Upon consultation with management, the Committee shall make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting.

5.15 The Committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures.

5.16 Pre-approval of audit and non-audit services provided by external auditors

5.17 The Committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

5.18 The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Audit and Risk Committee member to whom pre-approval authority is delegated must be presented to the full Audit and Risk Committee at its next scheduled meeting.

5.19 The Committee shall have responsibility for developing policies for Board approval to ensure that the external auditor's provision of non-audit services does not impair or appear to impair their judgment or independence.

#### **Assessment of the external audit**

5.20 The Committee, at least on annual basis, shall obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):

5.20.1 the audit firm's internal quality control procedures;

5.20.2 any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;

5.20.3 all relationships between the external auditor and the Company (to assess the auditor's independence).

5.21 The Committee shall set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgement or independence in respect of the Company.

5.22 The Committee shall monitor, 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.

5.23 The Committee shall draft an annual statement for inclusion in the Company's annual report as to whether the Committee is satisfied the provision of non-audit services is compatible with external auditor independence.

#### **The internal audit function**

5.24 Should the Board resolve to establish an internal audit and risk function, the Committee is responsible for overseeing that function, including:

5.24.1 approving the appointment, terms of engagement and dismissal of an Internal Audit and Risk Manager (if any); 5.24.2 reviewing the Internal Audit and Risk Manager's role, responsibilities and resources; 5.24.3 communicating its expectations to the Internal Audit and Risk Manager;

5.24.4 ensuring that the Internal Audit and Risk Manager has a reporting line directly to the Committee; 5.24.5 reviewing and approving the internal audit plan and related work program;

5.24.6 reviewing and approving the Risk Management Plan and related work program;

5.24.7 reviewing the reports prepared by the Internal Audit and Risk Manager, which are to be tabled at each meeting of the Committee;

5.24.8 evaluating the effectiveness of the internal audit plan and Risk Management Plans and work program and considering the implications of findings;

5.24.9 assessing the performance, effectiveness and objectivity of the internal audit and risk function;

5.24.10 overseeing the co-ordination of the internal audit and risk function with the external auditor; and

5.24.11 meeting with the Internal Audit and Risk Manager without other management present at least once a year.

5.25 The Committee shall review the internal auditor's charter and resources to ensure no unjustified restrictions or limitations are imposed upon internal audit staff and that resourcing is adequate.

5.26 The Committee shall discuss the scope of the internal audit with the internal auditor, including the internal audit plan, work program and quality control procedures.

#### **Assessment of management's response to audit**

5.27 The Committee shall have responsibility for monitoring and evaluating management's response to either the internal auditor's or the external auditor's findings and recommendations in respect of noted deficiencies, including by reference to any periodic reporting received from either the Internal Audit and Risk Manager (if one has been appointed) or the external auditor.

#### **Related party transactions and potential conflicts**

5.28 The Committee will review and monitor the appropriateness of material related party transactions and transactions that may involve potential conflicts of interest.

### **Compliance with Laws and Regulations**

5.29 The Committee shall gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis.

5.30 The Committee shall obtain regular updates from management, the Company's legal counsel, auditors and any external parties as it thinks fit regarding audit, risk management and compliance matters. It shall regularly review existing compliance systems and consider any deficiencies in compliance risk measures.

5.31 The Committee shall review any legal matters which could significantly impact the Company's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports.

5.32 The Committee shall review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance.

5.33 The Committee shall review the completeness and accuracy of the Company's main corporate governance policies and practices as required by the ASX Listing Rules.

5.34 The Committee shall be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents.

5.35 The Committee shall review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.

### **Releases and Complaints**

5.36 The Committee shall review and discuss media releases, ASX announcements and any other information provided to analysts.

5.37 The Committee shall review all representation letters signed by management to ensure that the information provided is complete and appropriate.

5.38 The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

5.39 The Committee shall review corporate legal reports concerning all material litigation, frauds, theft, material losses, and material breaches of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duties. Access to all reports

5.40 For the purposes of achieving its function, the Chairperson shall receive all reports between the external auditor and management and the Internal Audit and Risk Manager and management.

## Audit and Risk Committee performance

5.41 The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.

5.42 The Board will evaluate the performance of the Committee as appropriate.

## 6. Closed periods for trading

Subject to paragraph 7 below, restricted persons must not trade in the Company's shares during the following 'closed periods':

6.1.1 the period between the end of the Company's half-year up to and including the day on which the Company's half year results are released; and

6.1.2 the period between the end of the Company's financial year up to and including the day on which the Company's full year results are released.

## 7. Company share and option plans

7.1 If restricted persons participate, or are eligible to participate, in a rights issue or Company employee share, option or other equity plan (ESOP):

7.1.1 acquisitions of the Company's securities (as applicable) under the issue or ESOP; or

7.1.2 the exercise of any other entitlement under the ESOP are permitted during a closed period, subject to the provisions of the Trust Deed governing the Company's ESOP.

7.1.3 Any: (a) applications to participate in the ESOP; or (b) a variation of instructions in relation to participation in an ESOP, may be made at any time whether or not within a closed period, subject to the general prohibitions in paragraph 3 and the rules of the ESOP. The closed period prohibition will apply in respect of any subsequent dealing in securities acquired under an ESOP.

## 8. Exemptions

8.1 Excluded trading A restricted person may trade in Company securities during a closed period if that trading falls within one of the following categories of "excluded trading":

8.1.1 transfers of Company securities already held from a restricted person's own name into a superannuation fund to which the restricted person is a beneficiary;

8.1.2 an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in Company securities) where the assets of the fund or other scheme are invested at the discretion of a third party;

8.1.3 undertakings to accept, or the acceptance of, a takeover offer;

8.1.4 transfers of securities of the Company already held by the restricted person to or from private companies or trusts controlled by the restricted person;

8.1.5 transfers of securities to reflect a change in legal ownership where beneficial ownership does not change

8.1.6 trading under an offer or invitation made to all or most of the Company's members such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan or an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board; or

8.1.7 a disposal of Company securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement.

8.2 Trading with consent A restricted person may trade in Company securities during a closed period if that person obtains written permission to do so in accordance with paragraph 8.3.

### **8.3 Procedure for obtaining written consent to trade**

8.3.1 A restricted person who wishes to trade in Company securities during a closed period (Applicant) must obtain the prior written permission (whether by letter, facsimile, electronic or other form of visible communication) of:

(a) the Chairman or the Chief Executive Officer; or

(b) where the Chairman or the Chief Executive Officer is the Applicant, the other of them and the Chair of the Audit and Risk Committee (collectively the Approvers).

8.3.2 As part of his or her application, an Applicant must give the Approvers an undertaking that the Applicant complies with paragraph 3;

8.3.3 The Approvers may only provide written permission (whether by letter, facsimile, electronic or other form of visible communication) to trade in Company securities where:

(a) the restricted person is in severe financial hardship or other exceptional circumstances exist; and

(b) the Approvers are satisfied that there is no inside information which has not been disclosed to ASX.

8.3.4 The following are examples of situations of severe financial hardship or other exceptional circumstances which the Approvers may consider sufficient to warrant approval under this paragraph 8:

(a) "severe financial hardship" could include (but is not limited to) the Applicant having a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant Company securities; and

(b) "exceptional circumstances" could include (but is not limited to) where the Applicant is required by a court order, or there are court enforceable undertakings, for example, in a bona fide family settlement, to transfer or sell Company securities or there is some other overriding legal or regulatory requirement for him or her to do so.

8.3.5 An Applicant seeking clearance to trade must satisfy the Approvers that they are in severe financial hardship or that their circumstances are otherwise exceptional and that the proposed sale or disposal of the relevant Company securities is the only reasonable course of action available.

8.3.6 Determination as to whether the Applicant is in severe financial hardship or whether a particular set of circumstances exist may only be made by the Approvers.

8.3.7 Any permission provided under this paragraph 8 must be obtained by the Applicant not more than 2 business days before the proposed trade and the restricted person must only effect the trade between 2 business days and 5 business days after receipt of the permission.

## **9. Notification to ASX of Directors' Interests**

9.1.1 The Company is required, under the ASX Listing Rules, to disclose to the ASX details of Directors' interests in Securities of the Company and in contracts relevant to Securities of the Company, changes in these interests, and whether the change occurred in a Closed Period, within 5 business days after such change.

9.1.2 Within 2 business days, a Director must notify the Company Secretary in writing of the requisite information for the Company Secretary to make the necessary notifications to ASIC and ASX as required by the Corporations Act and the ASX Listing Rules.

9.1.3 It is the responsibility of each individual Directors to ensure they comply with this notification requirement.

## **10. Notification to ASX of Directors' interests**

10.1.1 Each restricted person is responsible for adhering to the Company's standard for trading in Company securities.

10.1.2 The Company Secretary has responsibility for maintaining the Policy

## **11. Insider trading**

The requirements imposed by the Policy are separate from, and additional to, the legal prohibitions in the Corporations Act on insider trading.

## Schedule 1

### **Independence as defined by the ASX Corporate Governance Council in their Corporate Governance Principles and Recommendations**

1. An independent director is a non-executive director who is not a member of management, and who is free of any business or other relationship (with the Company or its subsidiary) that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.
  
2. The corporate governance guidelines provide certain criteria for assessing the independence of directors and outlines relationships which may affect independent status. They provide that when determining the independent status of a director the Board should consider whether the director:
  - 2.1 is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
  
  - 2.2 is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
  
  - 2.3 has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
  
  - 2.4 is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
  
  - 2.5 has a material contractual relationship with the company or another group member other than as a director of the company.
  
3. Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by directors to the Board.

## Schedule 2

### Description of Risk Management Policy and Framework.

#### Introduction

1. The Board of the Company (“the Board”) understands that the management of risk is a continuous process and an integral part of good business management and corporate governance. The Board appreciates that the Company operates within the services sector, and is therefore exposed to a range of risks, which include (but are not limited to) market, operational, regulatory and reputational risks.

#### Responsibilities

2. Ultimately, the Board is responsible for ensuring that effective systems are in place to identify, assess, monitor and manage risks the Company is exposed to. In addition, the Board has ultimate responsibility to ensure that internal controls and procedures are adequate for monitoring compliance with laws and regulations. To enable it to effectively carry out its responsibilities, the Board has established an Audit and Risk Committee.

#### Audit and Risk Committee

3. The Audit and Risk Committee (“the Committee”) plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices, risk management and ensuring the independence of the company’s external auditor. In addition, the Committee oversees and appraises the quality of audits conducted by the internal and external auditors and emphasises areas where it believes that special attention is required. The Committee operates in accordance with a Charter, which outlines the structure and responsibilities of the Committee. The Charter is available on the Company’s website.

#### Risk Management Policy and Framework

4. The Company is required to analyse its business risk in the context of the Board’s expectations, specific business objectives and the organisation’s risk appetite. The Company has implemented a Risk Management Policy and Framework based on Australian/New Zealand standard AS/NZ 31000:2009 Risk Management - Principles and Guidelines.

5. The Policy and Framework specifically addresses the ASX Corporate Governance Council’s Principle 7 “Recognise and Manage Risk”.

##### 5.1.1 The Policy:

- Defines and identifies the risks faced by the business operated by the Company;
- Allocates roles and responsibilities for risk management throughout the Company;
- and
- Details the Risk Management Methodology to be applied.

##### 5.1.2 The Framework incorporates:

- Processes and templates to identify, assess, mitigate and monitor risks;
- Communication and consultative processes to ensure management and staff are involved with the development and maintenance of risk management statements;
- the establishment of a cyclical plan to review the risks within each part of the business;
- Integrated risk management and internal audit processes; and

- Ongoing reporting to the Committee and to the Board.

6. The Internal Audit and Risk Manager is responsible for the co-ordination and continued improvement of the Risk Management Framework. The framework is formally reviewed annually, with results reported to the Committee.

Dated and approved by the Board on 20th July, 2015