

AUDIT AND RISK COMMITTEE CHARTER

BROO LTD (ACN 060 793 099)

(‘Company’)

1. PURPOSE

- 1.1 This document sets out:
- 1.1.1 the roles, responsibilities, composition and membership of the Audit and Risk Committee (‘the Committee’); and
 - 1.1.2 the operation of the Committee and its interrelation with the Board.
- 1.2 In the compilation of this Code, the Company has where possible followed the recommendations of the *ASX Corporate Governance Principles and Recommendations, 3rd edition (2014)*. If the Company has not followed a particular recommendation it has sought to explain why it has not.

2. DEFINITIONS

In this Charter:

Board means the Board of the Company;

Charter means this Charter as amended from time to time; and

Senior Management means employees of the Company who manage the Company pursuant to the directions and delegations of the Board.

3. AUDIT AND RISK COMMITTEE

- 3.1 The Committee is responsible for advising the Board in relation to risk oversight and management policies that set out the roles and accountabilities of the Board, the Committee and Senior Management in relation to risk profile, risk management, compliance and assessment of effectiveness.
- 3.2 The Committee will provide the Board with advice and recommendations regarding the establishment, implementation and review of:
- 3.2.1 risk management systems;
 - 3.2.2 Company policies, Code of Conduct and procedures; and
 - 3.2.3 a Company risk profile (updated yearly by the Committee) that details and forecasts probabilities of financial and non-financial risks which the Company faces.

3.3 The Committee is responsible for ensuring Senior Management have put in place an effective system which identifies, assesses, monitors and manages risk in the Company in all areas, but particularly:

3.3.1 compliance with laws, regulations, standards and best practice guidelines;

3.3.2 important judgements and accounting estimates;

3.3.3 litigation and claims;

3.3.4 fraud and theft; and

3.3.5 conflicts of interest

3.4 **Financial Reporting, Internal Control and Audit Function:**

The Committee will assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's finances by:

3.4.1 monitoring, reviewing and directing the amendment where necessary, of the Company's financial statements to ensure compliance with the relevant Australian Accounting Standards and the requirements of the ASX Listing Rules and the *Corporations Act 2001* (Cth);

3.4.2 ensuring the adequacy of the Company's system for compliance with relevant laws, regulations, standards and codes;

3.4.3 reviewing and amending where necessary internal financial and audit controls and accountability mechanisms;

3.4.4 reviewing the results of audits, recommendations by auditors and management's response;

3.4.5 ensuring the independence, objectivity and competence of internal and external auditors and audit processes and the separation of internal and external audit functions;

3.4.6 overseeing the process for selection and appointment by the Board of the external auditor and the need for, and if required, the scope and conduct of internal audits;

3.4.7 ensuring that the internal auditor (if applicable) has an unobstructed communication channel to the Committee;

3.4.8 reviewing the performance and effectiveness of the external and internal auditors;

3.4.9 recommending to the Board the appointment and removal where necessary of external auditors and approving their remuneration and terms of engagement;

3.4.10 reviewing related-party transactions;

- 3.4.11 establishing a procedure for the rotation of external audit partners;
- 3.4.12 instituting and overseeing investigations as needed; and
- 3.4.13 the integrity and quality of the Company's financial information, including financial information provided to ASIC, ASX and shareholders.

3.5 **The Risk Function:**

The Committee is responsible for:

- 3.5.1 the establishment and implementation of a risk management framework and procedures to identify, monitor, assess and control risk;
- 3.5.2 periodically reviewing the Company's risk management framework (at least annually) and disclosing, in relation to each reporting period, whether such a review has taken place;
- 3.5.3 carrying out any processes or procedures required by the Company's Risk Management Policy as amended from time to time;
- 3.5.4 monitoring and reviewing safety systems;
- 3.5.5 monitoring and reviewing insurance programs and ensuring appropriate coverage by reputable insurers;
- 3.5.6 regulatory compliance; and
- 3.5.7 formulating, approving and monitoring policies regarding capital management (including bank account administration, processing payments and cash management), monitoring borrowings from financial institutions and compliance with obligations under borrowing covenants.

4. **COMPOSITION**

- 4.1 The Committee will consist of three (3) non-executive directors (and at least two (2) independent directors) whilst the Company only has four (4) or less directors in total. If the total number of directors of the Company increases beyond four (4), then the size of the Committee may be increased provided however that the Committee shall only consist of non-executive directors (and a majority of independent directors).
- 4.2 A non-executive director is an independent director if they are a director who is not a member of Senior Management of the Company and who:
 - 4.2.1 is not a substantial shareholder of the Company, or an officer of, or otherwise directly associated with a substantial shareholder of the Company;

- 4.2.2 has not been employed by the Company or a child entity of the Company or held the position of Director within the preceding three (3) years;
 - 4.2.3 is not a material supplier or customer of the Company or a child entity of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer of the Company within the preceding three (3) years;
 - 4.2.4 is not a party to a material contractual relationship with the Company or a child entity of the Company other than as a Director of the Company;
 - 4.2.5 has not served on the Board for a period of time which may materially interfere with that Director's motivation to act in the best interests of the Company; and
 - 4.2.6 has no close family ties with any person who falls within any of the categories described in clauses 4.2.1 to 4.2.5 above; and
 - 4.2.7 is free from any conflict of interest which may materially interfere with that Director's motivation to act in the best interest of the Company.
- 4.3 The members of the Committee will be appointed and removed by the Board.
- 4.4 The Company Secretary will act as the Secretary for the Committee.

5. MEETINGS

- 5.1 Meetings of the Committee will be chaired by the non-executive director member. The Company recognises that it is appropriate that the Committee be chaired by an independent chair who is not chair of the Board. However in circumstances where the Company only has three (3) directors or a small number of directors this may not always be feasible.
- 5.2 The Committee will meet as frequently as required but must meet at least twice a year.
- 5.3 Minutes are to be recorded and distributed to the Board by the Secretary. Minutes will be distributed to all Committee members and the Chair of the Board after the Committee Chair has approved such minutes.

6. POWERS

- 6.1 The Committee has unrestricted access to Senior Management and all company records and must be provided with unrestricted access to all internal audit processes in the absence of Senior Management.
- 6.2 The Committee will meet with any external auditors in the absence of management as often as required.

- 6.3 The Committee may conduct investigations where appropriate to fulfil its function and may:
 - 6.3.1 engage independent experts or advisors;
 - 6.3.2 question employees, Senior Management or Directors of the Company to seek further explanation or further information in regard to investigations; and
 - 6.3.3 access books and records of the Company.

7. REPORTING

- 7.1 The Committee must report to the Board at the next meeting of the Board following a meeting of the Committee, and the report shall assess:
 - 7.1.1 external reporting and management processes supporting such reporting;
 - 7.1.2 procedures for rotation of external auditors and procedures for selecting and appointing external auditors;
 - 7.1.3 recommendations for appointment or removal of an auditor;
 - 7.1.4 assessing the independence and performance of the external auditors;
 - 7.1.5 assessing the objectivity and performance of any internal audit function; and
 - 7.1.6 the results of the Committee's review of internal compliance, risk management and control systems.
- 7.2 The Committee shall place copies of the minutes recorded from the meeting of the Committee in the Board papers.
- 7.3 The Minutes recorded from the meeting of the Committee must also be tabled at the Board meeting.
- 7.4 The Committee must cause to be published on the Company website a copy of this Charter and a copy of the Company's risk management policies as amended by the Committee.
- 7.5 The Committee will review its performance and this Charter annually and report to the Board with the results of such review.