

Audit and Risk Committee charter

ThinkSmart Limited

ACN 092 319 698

Adopted by the Board on 2nd December 2016

Committee Charter

1 Membership of the Committee

The Committee must consist of:

- a majority of independent non-executive directors;
- an independent non-executive director as Chair, who is not Chair of the Board; and
- a minimum of 3 members of the Board.

The Board may, on the recommendation of the remuneration and nomination committee (if one exists) and in consultation with the Committee Chair, appoint additional members to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Members of management and the external auditor may attend meetings of the Committee at the invitation of the Committee Chair.

At the date of the adoption of this charter, the current members of the Committee are:

- David Adams (Chair);
- Peter Gammell; and
- Roger McDowell.

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 expertise in financial accounting and reporting (ie be a qualified accountant or other financial professional with experience of financial and accounting matters).

The Company Secretary must attend all Committee meetings as minute secretary. The Company Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

Appointments to the Committee shall be for a period of up to three years extendable by no more than two additional three year periods.

The Committee shall make recommendations to the Board which retains the right of final decision.

2 Administrative matters

2.1 Meetings

The Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required in relation to its audit function.

The Committee shall meet at least three times a year at appropriate times in relation to its risk function.

Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the chief executive, the chief financial officer, the external audit lead partner and the head of internal audit.

2.2 Quorum

The quorum necessary for the transaction of business shall be two, one of whom must be an independent non-executive director.

2.3 Convening and notice of meeting

Any member may, and the Company Secretary must upon request from any member of the Committee, or, if the Company Secretary considers it necessary, at the request of the external audit lead partner or head of internal audit, convene a meeting of the Committee.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed will be given to every member of the Committee at the member's advised address for service of notice (or such other pre notified interim address where relevant) and to any other person required to attend and all other non-executive directors.

Notice should, unless agreed otherwise, be given no later than five working days before the date of the meeting and, at the same time, supporting papers shall be sent to the Committee members and to other attendees, as appropriate. Acknowledgement of receipt of notice by members is not required before the meeting may be validly held.

2.4 Rights of access and authority

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. Whilst the internal audit function reports to senior management, it is acknowledged that the internal auditors also report directly to the Committee.

The Committee may seek the advice of the Company's auditors, solicitors or such other independent advisers as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require.

2.5 Minutes

Minutes of meetings of the Committee (including recording the names of those present and in attendance) must be kept by the Company Secretary and, after the minutes have been approved by the Committee Chair, be presented at the next Board meeting (unless it would be inappropriate to do so, in the opinion of the Committee Chair).

2.6 Annual General Meeting

The Committee Chair shall attend (if required and, for the avoidance of doubt, attendance by tele-conference shall be sufficient if physical attendance is not possible) the annual general meeting to respond to shareholder questions on the Committee's activities.

2.7 Reporting

The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- (a) the significant issues that it considered in relation to the financial statements and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- (c) any other issues on which the Board has requested the Committee's opinion.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the UK Corporate Governance Code and the Corporations Act 2001 (Cth) (the "**Corporations Act**"). The directors' report in the annual report should also set out risk management objectives and policies including in relation to financial instruments.

In compiling the reports referred to above, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

These terms of reference shall be made available on the Company's website.

3 Role & Responsibilities

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group (the "**Group**") as a whole, as appropriate.

3.1 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 Company's relationship with the internal auditor and the internal audit function generally;
- (c) oversee the preparation of the financial statements and reports;
- (d) oversee the Company's financial controls and systems; and
- (e) manage the process of identification and management of financial risk.

3.2 Audit

The Committee's primary roles are:

- to assist the Board in relation to the reporting of financial information;
- to assist the Board in relation to the appropriate application and amendment of accounting policies;
- to assist the Board in relation to 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 following are intended to form part of the normal procedures for the Committee's audit responsibility:

- (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) Report, where the Committee is not satisfied with any aspect of the proposed financial reporting of the Company, its views to the Board.
- (c) Assist the Board in monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcements relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- (d) Review and challenge, where necessary:
 - (1) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/Group;
 - (2) any significant adjustments resulting from the audit;
 - (3) the going concern assumption;
 - (4) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (5) whether the Company has followed applicable regulatory and legal requirements and appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (6) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
 - (7) all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.
- (e) 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).
- (f) 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.
- (g) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- (h) Review management processes supporting external reporting, and any complaints or concerns raised internally regarding financial or accounting processes and practices.
- (i) Ensure that procedures are in place which are designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.
- (j) Approve the scope of the audit for Board approval.
- (k) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary.
- (l) Review the results and effectiveness of the internal audit programs and the performance and objectivity of the internal audit function, including whether the internal auditors are

adequately resourced and co-ordinated with the external auditor. Monitor the independence of the internal audit programs from the external auditors and management. Review the outcomes and approve the internal audit program.

- (m) Review and approve the appointment and dismissal of the senior internal audit executive.
- (n) Review the performance, independence and objectivity of the external auditors.
- (o) Review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners.
- (p) Assume responsibility for the appointment (including the termination of an engagement), compensation, the terms of engagement and other contractual terms of the external auditors.
- (q) 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.
- (r) 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 to be included in the Company's annual report.
- (s) Review, where requested by the Board, the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

3.3 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 current and potential risk;
- (b) adequate policies and procedures have been designed and implemented to manage identified risks and new risk types;
- (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (d) proper remedial action is undertaken to redress areas of weakness.

The following are intended to form part of the normal procedures for the Committee's risk and compliance responsibilities:

- Advising the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities including the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority and other authoritative sources that may be relevant for the Company's risk policies.
- Reviewing regular reports from the Head of Compliance (or equivalent position within the Group) and keep under review the adequacy and effectiveness of the Company's compliance function.
- 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.
- Reviewing and approving the statements to be included in the annual report concerning internal controls and risk management.

- Advising, before a decision to proceed is taken by the Board, the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available.
- Providing qualitative and quantitative advice to the remuneration and nomination committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
- Reviewing reports on any material breaches of risk limits and the adequacy of proposed action.
- Reviewing the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- Reviewing the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.
- 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 business continuity plans.
- Evaluating the structure and adequacy of the Group's own insurances on an annual basis.
- Considering and approving the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions.
- Reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies.
- Overseeing the establishment and maintenance of processes to ensure that there is:
 - an adequate system of internal control, management of business risks and safeguard of assets;
 - an adequate system for detecting fraud and breaches of cyber security; and
 - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- Evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance.
- Reviewing the Group's main corporate governance practices for completeness and accuracy.
- Reviewing the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as preventing bribery, trade practices, occupational health and safety, and the environment).
- 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 AIM Rules, Corporations Act, Australian Accounting Standard Board's requirements and the Market Abuse Regulation and any other applicable laws as appropriate).

- 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 the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards.
- 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.

4 Relationship with the external auditor

The Committee has the responsibility and authority (subject to Corporations Act 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.

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- (b) ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (c) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the relationship with the external auditor including (but not limited to):
 - (i) recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

- (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
 - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - (vii) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
 - (ix) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation;
- (e) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (f) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- (g) review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
- (i) a discussion of any major issues which arose during the audit;
 - (ii) key accounting and audit judgements;
 - (iii) levels of errors identified during the audit; and
 - (iv) the effectiveness of the audit process.

The Committee shall also:

- (h) review any representation letter(s) requested by the external auditor before they are signed by management;
- (i) review the management letter and management's response to the auditor's findings and recommendations; and

develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

5 Relationship with the internal auditor

The Committee shall:

- (a) approve the appointment or termination of appointment of the head of internal audit;
- (b) review and approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (c) ensure the internal auditor has direct access to the Board Chairman and to the Committee Chairman, and is accountable to the Committee;
- (d) review and assess the annual internal audit work plan;
- (e) receive a report on the results of the internal auditors work on a periodic basis;
- (f) review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- (g) meet with the head of internal audit at least once a year without the presence of management; and
- (h) monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system.

6 Other matters

6.1 General

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the QCA Guidelines and the requirements of the AIM Rules and any other applicable rules, as appropriate;
- (d) oversee the co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) work and liaise as necessary with all other Board committees;
- (g) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at

maximum effectiveness and recommend any changes it considers necessary to the Board; and

- (h) consider such other matters as the Board may from time to time refer to it.

6.2 Authority

The Committee is authorised by the Board to:

- (a) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- (b) seek any information it requires from any employee/director, and all such employees/directors will be directed to co-operate with any request made by the Committee; and
- (c) have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.