



# **AUDIT & RISK COMMITTEE CHARTER**

## **SERVCORP LIMITED**

**ACN 089 222 506**

December 2016



# SERVCORP LIMITED

## AUDIT & RISK COMMITTEE CHARTER

### 1 Purpose of the Committee

- 1.1 The primary function of the Audit and Risk Committee (“Committee”) is to assist the Board to meet its oversight responsibilities in relation to:
- (a) ensuring the Company adopts, maintains and applies appropriate accounting and financial reporting processes and procedures;
  - (b) reviewing and monitoring the integrity of the Company’s financial reports and statements;
  - (c) ensuring the Company maintains an effective risk management framework and internal control systems;
  - (d) monitoring the performance and independence of the external audit process and addressing issues arising from the audit process.
- 1.2 It is the Committee’s responsibility to maintain free and open communication between the Committee and the external auditors and the management of Servcorp.

### 2 Membership of the Committee

- 2.1 The Board shall appoint the Committee Chairperson and Committee members.
- 2.2 The Committee shall consist of a minimum of three non-executive Directors.
- 2.3 A quorum shall be any two members.
- 2.4 The term of appointment as a member shall be for a period of three years. Committee members will be eligible for re-appointment subject to the composition requirements of the Committee.
- 2.5 Executive Directors are not eligible to be members of the Committee.
- 2.6 Ceasing to be a Director of the Board leads to automatic termination of membership of the Committee.
- 2.7 Committee members should have a working familiarity with general finance and accounting practices. At least one member of the Committee should have accounting or related financial management expertise and at least one member should have a detailed understanding of the industry in which Servcorp operates.
- 2.8 Members of the Committee should have a range of backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of Servcorp.
- 2.9 Membership of the Committee shall be disclosed in the annual report.

### **3 Chairperson**

- 3.1 The Chairperson of the Board cannot be the Chairperson of the Committee.
- 3.2 The Chairperson is responsible for planning and facilitating effective discussions at meetings.
- 3.3 The Chairperson shall report significant findings and recommendations of the Committee to the Board after each Committee meeting.

### **4 Authority and reporting**

- 4.1 The Committee reports to the Board.
- 4.2 The external auditor reports to the Committee.
- 4.3 The Committee has authority to investigate any activity within its Charter and any matters specifically requested by the Board.
- 4.4 The Committee has unrestricted access to all records and to officers and employees of Servcorp.
- 4.5 The Committee has authority to seek any information it requires from the external auditors, without the presence of management.
- 4.6 The Committee has authority to resolve any disagreements between management and the external auditor regarding financial reporting.
- 4.7 The Committee is authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the Committee.
- 4.8 Any suspected frauds or irregularities shall be reported immediately by Management to the Committee.
- 4.9 The Committee shall consider whether any failures of risk management or internal controls (that are brought to the Committee's attention) are significant and require reporting to the Board.
- 4.10 The Committee shall consider at each meeting whether any significant matters should be brought to the attention of the Board. The Committee will endeavour to raise these matters in a form and timeframe that assists the Board to discharge their duties effectively. The Committee minutes and an update from the Committee Chairperson shall be provided at the following Board meeting.
- 4.11 The Committee may also submit reports to the Board as and when required throughout the year.

## 5 Meetings and attendance

- 5.1 The Committee should meet at least three times per year. Additional meetings may be held as the work of the Committee demands.
- 5.2 The Chairperson will call a meeting of the Committee if requested by a member of the Committee, the external auditor, the Chairperson of the Board, or by the Chief Financial Officer.
- 5.3 Should the Chairperson be absent from a meeting, the members of the Committee present at the meeting have the authority to choose one of their number to chair that particular meeting.
- 5.4 Servcorp's Company Secretary shall be appointed as Secretary of the Committee.
- 5.5 The Chief Financial Officer and the external auditors shall be given notice of all meetings and have the right to attend and speak if it is the desire of the Committee.
- 5.6 The external audit engagement partner, or a nominated representative, shall attend all meetings of the Committee.
- 5.7 As deemed necessary the Chairperson may invite members of management, representatives of the external auditors or other advisors to attend meetings of the Committee.
- 5.8 Proceedings of all Committee meetings shall be minuted and signed by the Chairperson of the Committee.
- 5.9 Minutes of Committee meetings shall be tabled at Servcorp Board meetings.
- 5.10 Attendance by members at Committee meetings shall be disclosed in the annual report.

## 6 Responsibilities

The Committee's primary responsibilities within the governance structure of Servcorp are:

### Financial Reporting

- 6.1 Reviewing the financial reports and other financial information of the consolidated entity and the parent entity distributed externally for the half year and full year, including:
  - (a) The CEO and CFO letter of representation to the Board; and
  - (b) General Management representations in respect of Servcorp's operating activities and the adequacy and effectiveness of its risk management, internal compliance and control systems.
- 6.2 Reviewing the Company's policies and procedures for compliance with Australian equivalents to International Financial Reporting Standards.
- 6.3 Monitoring the procedures in place to ensure compliance with the Corporations Act 2001, ASX Listing Rules and all other regulatory requirements.
- 6.4 Assisting management in improving the quality of the accounting function.

### **Risk Management and Internal Control**

- 6.5 Monitoring the internal control framework compliance structures and considering enhancements.
- 6.6 Overseeing the risk management framework.
- 6.7 Reviewing external audit reports to ensure that where major deficiencies or breakdown in controls or procedures have been identified appropriate and prompt remedial action is taken by management.
- 6.8 Reviewing reports on any major defalcations, frauds and thefts from the Company.

### **External Auditor**

- 6.9 Considering the appointment and fees of the external auditor. If deemed appropriate the Committee may conduct a tender of the audit. Subsequent recommendations following tender will be put to the Board for approval. If a change in auditor is approved by the Board, it will then be put to the shareholders at the next annual general meeting for their approval.
- 6.10 Reviewing and approving the terms of engagement and fees of the external auditor at the start of each audit.
- 6.11 Considering and reviewing the scope of work, reports and activities of the external auditor.
- 6.12 Establishing appropriate policies in regards to the independence of the external auditor and assessing the independence of the external auditor, based on information received from Management and the external auditor and taking into consideration:
  - (a) Policies on the supply of non-audit services by the external auditor;
  - (b) The fees for audit and non-audit services provided by the external auditor on a regular basis;
  - (c) The rotation of audit partners;
  - (d) The external auditor's own statement on independence.
- 6.13 Liaising with the external auditors to ensure that the statutory annual audit and half-yearly review are conducted in an effective manner.

### **Compliance**

- 6.14 Addressing with management any matters outstanding with the auditors, tax authorities, corporate regulators, Australian Securities Exchange and financial institutions.
- 6.15 Monitoring the establishment of appropriate ethical standards.

### **Reporting**

- 6.16 The Committee shall make recommendations to the Servcorp Board on matters arising from each of the above-mentioned responsibilities.

## **7 Reporting lines to the Committee**

- 7.1 For the purpose of supporting the independence of their representative functions, the external auditor, Chief Executive Officer, Chief Financial Officer and all executive Directors have a direct line of reporting access to the Committee.

## **8 Risk management**

The Committee is responsible for ensuring management:

- 8.1 Establishes an appropriate Risk Management Framework and monitors its implementation within the Company.
- 8.2 Has available the necessary tools and resources to identify and manage risks.
- 8.3 Reviews the progress for all risk items.
- 8.4 Reviews the current list of risk items and makes any necessary changes to the risk status of individual items.
- 8.5 Reports the status of risk items to the Board.

## **9 Review of the Charter**

- 9.1 The Charter shall be reviewed annually by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.
- 9.2 Changes to the Charter shall be recommended by the Committee and approved by the Board.

## **10 Publication of the Charter**

- 10.1 Key features of this Charter are to be outlined in the Corporate Governance section of the annual report to shareholders.
- 10.2 A copy of this Charter is available on the Servcorp website [www.servcorp.com.au](http://www.servcorp.com.au).

## Current Audit and Risk Committee Membership

|                           |                           |
|---------------------------|---------------------------|
| Non-executive Chairperson | Mr Roderic Holliday-Smith |
| Non-executive Directors   | Mr Bruce Corlett          |
|                           | The Hon. Mark Vaile       |
|                           | Mrs Wallis Graham         |

Approved by the Servcorp Limited Board on 7 December 2016

Last reviewed on 15 December 2017