



**Pro-Pac Packaging Limited**

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# Audit, Business Risk and Compliance Committee Charter

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Pro-Pac Packaging Limited

ABN 36112971874

**Adopted by the board on 26 November 2018**

## Committee Charter

### 1 Purpose

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This Charter provides an overview of the Committee's key responsibilities and functions, which are to oversee the Company's:

- (a) financial reporting process;
- (b) relationship with the external auditor and the external audit function generally;
- (c) relationship with the internal audit function (if any, recognising that the internal audit function may be provided by an internal or external provider);
- (d) financial controls and systems;
- (e) processes for monitoring compliance with laws and regulations; and
- (f) processes for identifying and managing risk.

### 2 Membership of the Committee

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The Committee must consist of:

- ❖ only Non-executive Directors;
- ❖ a minimum of 3 members;
- ❖ a majority of independent Directors; and
- ❖ an independent Director as Chair.

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.

All members of the Committee should be financially literate and have familiarity with financial management. The members between them must have the accounting and financial expertise, and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee's mandate effectively.

Each member will be appointed for an initial term of three years, or shorter if circumstances dictate. The performance of each member will be reviewed by the Committee Chairman in conjunction with the Chairman of the Board. Periodic rotation of members' appointments is encouraged. No more than one member should leave the Committee pursuant to rotation in any one year.

The Committee Chairman will be appointed by the Board and must be an independent non-executive director of the Company.

## 3 Role and responsibilities

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### 3.1 Financial Reporting

The responsibilities of the Committee in relation to financial reporting are as follows:

- (a) Review, and discuss with management and the external auditor, the Company's corporate and financial reporting and disclosure processes, and make recommendations to the Board in relation to the adequacy of those processes.
- (b) Review the Company's financial statements for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company, as a basis for recommendation to and adoption by the Board.
- (c) Receive and review reports of the external audit of the Company's financial statements.
- (d) Review and make recommendations to the Board in relation to the appropriateness of the accounting policies, judgements and choices adopted by management in preparing the Company's financial reports, including significant changes in the selection or application of accounting principles.
- (e) 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.
- (f) Discuss with management and the external auditor the process for and disclosures made by, the CEO and CFO in connection with their certification of periodic reports.
- (g) Make enquiries of management and external auditors regarding the adequacy and appropriateness of internal controls, and, based on this assessment, determine the potential need and scope of the Company's internal audit function, whether insourced or outsourced.

### 3.2 External Audit

The responsibilities of the Committee in relation to the external audit are as follows:

- (a) Review and make recommendations to the Board in relation to the scope and adequacy of the external audit.
- (b) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditor believes special attention is necessary.
- (c) Review with the external auditor its report regarding significant findings in the conduct of its audit and the adequacy of management's response, and monitor whether any issues are being managed and rectified in an appropriate and timely manner.
- (d) Discuss with the external auditor matters relating to the conduct of the audit, including the timeliness of its reporting, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, significant disagreements with management (if any) and adequacy of management's response.
- (e) Review the performance, independence and objectivity of the external auditor at least annually.

- (f) Review the procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners.
- (g) Recommend to the Board the selection and termination of the external auditor, subject to any shareholder and regulatory approval.
- (h) Review annually and approve the external auditor's terms of engagement (including the audit plan) and other contractual terms, fees and other compensation to be paid to the external auditor and ensure that any key risk areas for the Company and financial requirements are incorporated into the audit plan.
- (i) Develop and oversee the implementation of, and compliance with, the Company's policy on the engagement of the external auditor to supply non-audit services.
- (j) 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.

### **3.3 Risk management and internal control**

The responsibilities of the Committee in relation to risk management and internal control are as follows:

- (a) Oversee and advise the Board on high-level risk related matters, including risk appetite and tolerance in determining strategy, as well as management of key risks.
- (b) Review, at least annually, the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk and report to the Board on its findings.
- (c) Annually review for completeness and relevance the Company's group accounting policy and treasury policy.
- (d) Oversee management's implementation of the risk management strategy, including:
  - i. ensuring that management has appropriate processes for identifying, assessing and responding to risks in a manner that is consistent with the Company's risk appetite, and that those processes are operating effectively; and
  - ii. challenging management's proposals and decisions on all aspects of risk management arising from the Company's activities.
- (e) Review the trends in the Company's risk profile and report to the Board on key risks.
- (f) Monitor whether management is communicating the importance of internal control and management of risk throughout the organisation and therefore setting up an appropriate 'control culture'.
- (g) Review and make recommendations to the Board in relation to the risk disclosures in the Company's periodic reporting documents, including the operating and financial review in its Annual Report.
- (h) Evaluate the adequacy and effectiveness of the Group's identification and management of economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks.
- (i) Oversee the establishment and maintenance of processes to ensure that there is:

- i. an adequate system of internal control (including IT controls), management of business risks and safeguard of assets; and
  - ii. a regular review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- (j) Evaluate the Group's exposure to fraud, overseeing investigations of allegations of fraud or malfeasance and make recommendations to the Board in relation to any incident involving fraud or other break down of the Company's internal controls.
- (k) At least annually, evaluate and make recommendations to the Board in relation to the structure and adequacy of the Group's insurance program having regard to the Group's business and the insurable risks associated with its business.
- (l) Annually review the internal control environment with management and external auditors and assess the need to appoint an internal auditor (insourced or outsourced).
- (m) Evaluate and review the Company's group business continuity plans.
- (n) Review and monitor all related party transaction to ensure compliance with relevant laws.

### **3.4 Compliance**

The responsibilities of the Committee in relation to compliance are as follows:

- (a) Review the procedures the Company has in place to ensure compliance with laws and regulations.
- (b) Review and discuss with management and the auditor the overall adequacy and effectiveness of the Company's legal, and regulatory compliance programs, including monitoring compliance with Company policies.

### **3.5 Whistleblower disclosures**

- (a) Review annually, and approve the Company's Whistleblower Policy (Policy) and any related procedures for the receipt of confidential information regarding accounting, internal control, compliance, audit and other matters.
- (b) Oversee the Company's ongoing compliance with the Policy, including reviewing processes for ensuring employee awareness of the Policy and for dealing with matters raised under the Policy by disclosing persons.

### **3.6 Tax**

- (a) In consultation with management, review the effectiveness of the tax risk management framework and governance arrangements.
- (b) Endorse tax risk settings to the Board for approval, having regard to management recommendations.
- (c) Oversee and monitor tax risks.

## 4 Rights of Access and Authority

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The Committee has unrestricted access to information it considers relevant to its responsibilities. 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.

To draw appropriate matters to the attention of the Committee and foster open communication, the following individuals have direct and unfettered access to the Committee: Group CEO; Group CFO; General Counsel & Company Secretary; Internal Audit Manager(if applicable) and the external auditor.

The Internal Audit Manager has a direct reporting line to the Committee Chairman, whilst maintaining an administrative reporting line to the CEO/CFO, as the case may be.

## 5 Review of Charter and Membership

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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.

## 6 Administrative matters and procedures

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The proceedings of the Committee will be conducted in accordance with provisions set out in Attachment 1.

## Attachment 1

### Administrative matters and procedures

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#### **Meetings**

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role.

#### **Quorum**

The quorum is at least 2 members.

#### **Secretary**

The Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

#### **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. However, 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.

In addition, the Committee Chairman must call a meeting of the Committee if so requested the external auditors or Internal Audit Manager, or by the Chairman of the Board.

Members may attend meetings in person or by electronic means.

#### **Independent advice**

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

#### **Attendance by non-Committee members**

Non-Committee members, including other Non-executive Directors, members of management and the external auditor, may attend all or part of a meeting of the Committee at the invitation of the Committee Chair.

The external auditor should be invited to make presentations to the Committee as appropriate. In addition, the Committee will separately meet with the external auditor (without management being present) at least twice a year to discuss any matters that the Committee or the auditor believe should be discussed privately.

#### **Minutes**

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee Chair, be distributed to members of the Committee and other members of the Board.

All minutes of the Committee must be entered into a minute book maintained for that purpose and be available for inspection by any Director.

### **Reporting**

It is intended that a report of the actions of the Committee and a copy of the minutes of the Committee meeting or both will be included in the Board papers for the next Board meeting following a meeting of the Committee.

The Committee Chair will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All Directors may, within the Board meeting, request information of members of the Committee.

This Charter supersedes any terms of reference previously in force.