

# 8IP emerging Companies Limited

## Audit, Risk & Compliance Committee Charter

**11 DECEMBER 2018**

The Audit, Risk & Compliance Committee (the **Committee**) is appointed by and reports to the Board of Directors (the **Board**) of 8IP Emerging Companies Limited ACN: 608 411 347 (the **Company**).

The role and responsibilities, composition, structure and membership requirements of the Committee are prescribed by this Charter.

### **1. THE PURPOSE AND ROLE OF THE COMMITTEE**

- (a) The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities for risk management and compliance, financial and corporate reporting and audit matters. The Board retains ultimate responsibility for these matters.
- (b) The Committee will also:
  - (i) serve as an independent and objective party to review the financial information presented by the Company management to shareholders and regulators (ASIC and ASX);
  - (ii) review and monitor risks and the implementation of mitigation measures for those risks as appropriate;
  - (iii) consider the adequacy and effectiveness of the Company's administrative, operating and accounting controls as a means of ensuring that the Company's affairs are being conducted by Management in compliance with legal, regulatory and policy requirements;
  - (iv) oversee and assess the quality of audits conducted by the external Auditor ; and
  - (v) maintain (by scheduling regular meetings) open lines of communication among the Board, the external auditor and its Investment Manager to exchange views and information, as well as confirm their respective authority and responsibilities.

### **2. COMPOSITION**

- (a) The Board will consider the composition of the Committee on an annual basis and determine whether it remains of sufficient size and independence and has the necessary technical expertise to discharge its mandate effectively.
- (b) 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.
- (c) The Committee will have at least two (2) members with a majority being 'independent' (as defined by the Company's policy).
- (d) Each member must be financially literate, with at least one (1) member being a qualified accountant or other finance professional with experience of financial and

accounting matters. At least one (1) member will have an understanding of the financial services industry.

- (e) The Committee will be chaired by an 'independent' Director, who is not the Chair of the Board.
- (f) The Secretary of the Committee will be the Company Secretary, or such other person as nominated by the Board.
- (g) Two members form a quorum for the committee meetings. In the absence of the Chair, another independent Director member will be appointed as the Chair of the meeting.

### **3. TERM OF MEMBERSHIP**

- (a) Members will be appointed by the Board for a term as considered appropriate by the Board.
- (b) A member of the Committee that ceases to be a Director of the Board will automatically cease to be a member of the Committee.
- (c) Where a member ceases to be 'independent', and as a result the majority of the Committee is no longer comprised of a majority of independent directors, the Committee will consult with the Board as to composition of the Committee going forward.

### **4. MEETINGS**

- (a) The Committee will meet at least two times a year. Dates will be set so that the Committee can:
  - (i) review and agree the annual letter of appointment and audit plan of the external Auditor.
  - (ii) review, with the external Auditor in attendance, the half-yearly accounts and half-yearly reports; and
  - (iii) review the annual accounts and annual report.
- (b) Special meetings may be convened as required or requested by the Chair of the Committee, a Director or the Board.
- (c) A quorum is two (2) Committee members.
- (d) Decisions will be determined by majority vote, but the Chair of the Committee will report the fact of a dissenting vote to the Board when reporting the decision to the Board. The Chair of the Committee will not have a casting vote.
- (e) Members of the Company's Investment Manager's Board will be invited to attend meetings as determined by the Committee. The external Auditor will be invited to attend meetings as determined by the Committee and will be given the opportunity to meet with the Committee in the absence of Management.
- (f) Board members may attend meetings at any time.
- (g) The Committee may require other staff of its Investment Manager to attend from time to time.

- (h) After consultation with the Chair of the Committee, the Secretary of the Committee is responsible for:
  - (i) drawing up the agenda and circulating it and supporting papers to Committee members prior to each meeting; and
  - (ii) keeping minutes of meetings of the Committee and circulating them to Committee members and other members of the Board.
- (i) Notice will be given to every member of the Committee, of every meeting of the Committee, at the member's advised address for service of notice (or such other pre-notified interim address where relevant).
- (j) The Chair is responsible for presenting the Committee's report to the Board following each meeting of the Committee.

## **5. ACCESS AND AUTHORITY**

- (a) The Committee is authorised by the Board to investigate any activity within its Charter as it sees fit, including by initiating special investigations.
- (b) The Committee:
  - (i) will have access to the company records and any other document, report, material or information in the possession of the Company or external adviser of the Company, as reasonably necessary to perform its functions; and
  - (ii) may invite the external auditor or any other person to attend a meeting of the Committee, including without management present for the purpose of seeking explanations and additional information from a person.
- (c) The Committee has authority (through the Board) to seek any information it requires from any employee of its Investment Manager or external party.
- (d) The Committee is authorised by the Board to consult independent experts (at the Company's expense) where the Committee considers it necessary to carry out its duties. This may involve advice relating to the powers, duties, or responsibilities of the Committee. The Committee will notify the Chair and the CEO (or their equivalent) of its Investment Manager prior to exercising its rights under this clause.

## **6. DUTIES AND RESPONSIBILITIES**

- (a) The duties and responsibilities of the Committee are as set out in this section. However, the Board may delegate other responsibilities and functions to the Committee from time to time.

### **Financial Reporting**

- (b) With respect to financial reporting, review the integrity of the half-year and annual financial statements with its Investment Manager and external auditor and make recommendations to the Board having regard to:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgemental areas;
  - (iii) significant adjustments resulting from the audit;

- (iv) the going concern assumption;
  - (v) compliance with Accounting Standards;
  - (vi) compliance with ASX and *Corporations Act 2001* (Cth) requirements; and
  - (vii) compliance with ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd Edition.
- (c) Require reports from the Company's Investment Manager on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Company's financial reporting process and its results.
  - (d) Review any recommendations from the Company's Investment on accounting policy changes.
  - (e) Review reports from the Company's Investment Manager in respect of a qualified audit report issued to the Company.

### **Risk Management**

- (f) Ensure significant risks to the Company are identified, evaluated, treated (if practicable), monitored and reported.
- (g) Consider the adequacy and effectiveness of the Company's administrative, operating and accounting policies as a means of ensuring the Company's affairs are being conducted in compliance with legal, regulatory and policy requirements.
- (h) Review the Company's insurance program having regard to the Company's business and insurable risks and inform the Board regarding the same.
- (i) Review and monitor the adequacy of management information and internal control systems, including: asset valuations, expenditure controls, counterparty exposure, insurance and risk management.

### **Compliance**

- (j) Monitor the Company's corporate compliance with statutory obligations and advise the Board of any failure.
- (k) Review any regulatory reports submitted to the Company concerning matters within the Committee's Charter.
- (l) Review reports prepared by the Company's Investment Manager in conjunction with the Company's Investment Manager in relation to compliance matters.
- (m) Monitor the standard of corporate conduct in areas such as arm's length dealings and potential conflicts of interests.
- (n) Review and monitor the propriety of all related party transactions.

### **Review of Reports and Communications**

- (o) Review recommendations from the Company's Investment Manager's and/or external Auditor on key financial and accounting principles to be adopted by the Company in the preparation of its statutory financial reports and statements.
- (p) Review reports from Management on key risk issues, as requested by the Committee from time to time.

- (q) Review reports from and responses to the Company's Investment Manager's employees or Shareholders on accounting or auditing matters.

## **7. NET TANGIBLE ASSET BACKING**

- (a) Review the effectiveness of the process to release the Company's net tangible asset backing announcements to ASX.

### **External Auditor**

- (b) Recommend to the Board the appointment of the external Auditor.
- (c) Review the external Auditor's Audit Plan and audit fees.
- (d) Review to ensure that the external auditor remains competent and independent.
- (e) Review to ensure that the external auditor has full access to information and suffers no unacceptable management or other restrictions.
- (f) Monitor the rotation of audit engagement partners every five (5) years.
- (g) Review written reports from the external auditor in respect of internal controls.
- (h) Monitor the extent of non-audit services provided by the external audit company and reports arising from those services.
- (i) Review annually the performance of the external auditor.

### **Committee Reporting**

- (j) Following each meeting, the Committee will report to the Board.
- (k) The Committee's report will contain all matters relevant to the Committee's role and responsibilities, including:
  - (i) an assessment of whether external reporting complies with regulatory requirements and is adequate for Shareholder needs;
  - (ii) assessment of the management processes supporting external reporting;
  - (iii) recommendation for the appointment or removal of the Auditor;
  - (iv) assessment of the performance and independence of the external Auditor - where the external Auditor provides non-audit services, the report should state whether the Committee is satisfied that the provision of those services has not compromised the Auditor's independence; and
  - (v) the results of the Committee's review of risk management and internal control systems.

## **8. ANNUAL PERFORMANCE REVIEW**

- (a) On an annual basis the Committee will obtain feedback from the Board on the Committee's performance and implement any agreed actions.
- (b) The Committee will provide any information that the Board may request to facilitate its review of the Committee's performance.

## **9. LIMITATION OF RESPONSIBILITIES**

The Committee's principal function is one of review, oversight and monitoring. Without limiting the Committee's duties as described in this Charter, neither the Committee, as a committee, nor any member of it by virtue of being a member, has the duty to actively seek out activities occurring within the Company that are not compliant with the Company's policies and procedures, although they have a duty to act promptly if any such activity comes to their attention.

The Committee:

- (a) is not required to personally conduct accounting reviews or audits; and
- (b) is entitled to rely on professional advisers or consultants engaged by the Committee or the Company where:
  - (i) there are reasonable grounds to believe that the adviser or consultant is reliable and competent; and
  - (ii) the reliance was made in good faith and after making an independent assessment of the information.