



Charter

Audit Committee Charter

Australian Finance Group Ltd (**Company**)

ACN 066 385 822

Adopted by the Board on 1 May 2015

Committee Charter

1 Membership of the Committee

The Committee must consist of:

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

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 directors of the Company, and the Company's external auditors, have a standing invitation to attend meetings of the Committee. Other non-committee members, including members of management, may attend meetings of the Committee at the invitation of the Committee chair.

It is intended that the members of the Committee between them should have the accounting and financial expertise, the necessary technical knowledge and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee's mandate effectively.

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

2 Administrative matters

2.1 Meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet at least 3 times a year.

2.2 Quorum

The quorum is at least 2 members.

2.3 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. 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.

2.4 Chair

In the absence of the Committee chair, the Committee members must elect one of their number as chair for that meeting. The Committee chair has a casting vote.

2.5 Rights of access and authority

The Committee has rights of access to management and to auditors without management present, and rights to seek explanations and additional information from both management and auditors.

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

2.6 Minutes

Minutes of meetings of the Committee must be kept by the Company Secretary (or his or her delegate) and, after approval by the Committee chair, be presented at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any director.

2.7 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 Board meeting next 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.

3 Role & Responsibilities

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 preparation of the financial statements and reports; and
- (c) oversee the Company's financial controls and systems.

3.2 Audit

The Committee's primary roles in relation to audit are to review and make recommendations to the Board in relation to:

- the reporting of financial information;
- the appropriate application and amendment of accounting policies; and
- the appointment, independence and remuneration of the external auditor.

The Committee also provides a link between the external auditors, the Board and management of the Company.

In discharging these roles, the Committee will:

- (a) Review 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 confirm 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.
- (e) 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.
- (f) Establish and monitor procedures designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.
- (g) Review and make recommendations to the Board in relation to the scope and adequacy of the external audit.
- (h) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary.
- (i) Review the performance, independence and objectivity of the external auditors.
- (j) Review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners.
- (k) Review and approve the appointment, compensation, the terms of engagement and other contractual terms of the external auditors.
- (l) Develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and monitor compliance with that policy.
- (m) Review the requirement for an internal audit function and make recommendations to the Board regarding the establishment of this function. Approve and monitor the application of additional internal resources or special external auditing services to perform the internal audit function as required.
- (n) 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.

4 Relationship with the external auditor

The Committee provides a link between the external auditor and the Board and has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement.

The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Attachment 1.

5 Relationship with the internal auditor

If an internal audit function is established, the Committee will provide a link between the internal audit function and the Board. The head of the internal audit function will have a direct reporting line to the Committee and, therefore, to the Board.

If an internal audit function is established, the Committee will have the responsibility of:

- (a) reviewing the internal auditor's objectives, competence and resourcing (including determining whether the internal audit function is to be provided by an internal or external party provider);
- (b) monitoring the independence of the internal audit programs from the external auditors and management;
- (c) overseeing that an appropriate program of internal audit activity is conducted each financial year;
- (d) reviewing and monitoring the progress of an internal audit and work program (without the presence of management);
- (e) overseeing the coordination of the internal and external audit;
- (f) evaluating and critiquing management's responsiveness to internal auditor's finding and recommendations; and
- (g) reviewing and approving the appointment and dismissal of the head of internal audit.

6 Review

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.

External Audit Policy

Appointment

The Audit Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) 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.

Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the directors approve the half-year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to monitor compliance with that policy.

Rotation of External Audit Engagement Partner

The external audit engagement partner is generally required to rotate at least once every 5 years. If appropriate, the Board may, following a recommendation from the Committee, extend the eligibility term of the audit engagement partner in accordance with the *Corporations Act 2001* (Cth).