

constellation  
technologies



**Constellation Technologies Limited**  
**Audit & Risk Committee Charter**

## **1. General Scope and Authority**

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The Audit & Risk Committee (AUDCO or Committee) is a committee of the Board of Constellation Technologies Limited and is established in accordance with the authority provided in the Constitution. The Board has resolved to establish this committee and to adopt these terms of reference to govern the proceedings and meetings of the Committee.

The primary role of the Committee is to:

- monitor and review the effectiveness of the Company's control environment in the areas of operational risk, legal/regulatory compliance and financial reporting;
- increase risk awareness, set risk profiles and make appropriate representations to the board.

The Committee will advise and assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to:

### **1.1 Audit**

- reporting of financial information to users of financial reports, in particular the quality and reliability of such information;
- assessing the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets, governmental and other public bodies;
- review and application of accounting policies;
- financial management;
- review of internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- review of business policies and practices;
- conduct of any investigation relating to financial matters, records or accounts, and to report those matters to the Board;
- protection of the Company's assets; and
- compliance with applicable laws, regulations, standards and best practice guidelines.

## 1.2 Risk

- Evaluation of the Company's compliance and risk management structure, procedures, internal controls and policies;
- Setting risk criteria by identifying key areas of risk having regard to the Company's operations;
- Break risk profiles into key risk areas such as:
  - Market risk;
  - Compliance & Legal risk;
  - Operational risk; and
  - Technology risk.

## 2. Composition

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The Committee is to consist of a minimum of 2 directors of the Board, a majority of whom are to be independent non-executive directors where possible taking into consideration the composition of the whole Board. All members (including the Chairman) of the Committee are appointed by the Board. Where possible, the Chairman of the Committee will be an independent non-executive director who is not the Chairman of the Board. All members of the Committee are to be financially literate. An appointment to the Committee will automatically terminate on that member ceasing to be a director of the Board.

The secretary of the Committee will be the Company Secretary.

## 3. Meetings

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The Committee shall meet as frequently as required but not less than twice a year. The Committee may also meet at other times during the year to address specific issues referred by the Board and to review financial reports prior to presentation to the Board.

Any member of the AUDCO may call a meeting of the Committee.

A notice of meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee in the week prior to the date of the meeting. The notice of meeting will include relevant supporting papers for the agenda items to be discussed.

The quorum for a meeting is 2 members or any greater number determined by the Committee from time to time.

Other Board directors, executives and other parties may attend Committee meetings but only at the invitation of the Chairman of the Committee.

The Committee may conduct meetings without all members being in the physical presence of one another provided that all Committee members involved in the meeting are able to participate in discussion.

The Chairman of the Committee, or his/her delegate, shall report to the Board following each meeting.

Should the Chairman of the Committee be absent from a meeting and no acting Chairman has been appointed, the members of the Committee present at the meeting have authority to choose 1 of their number to be Chairman for that particular meeting.

Minutes of proceedings and resolutions of the Committee meetings shall be kept by the secretary. Minutes will be distributed to all Committee members after preliminary approval has been given by the Committee Chairman.

#### **4. Authority**

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The Committee has the authority to seek any information it requires to carry out its duties from any officer or employee of the Company or related parties and such officers or employees shall be instructed by the board of the entity employing them to cooperate fully in the provision of such information.

The Committee shall maintain free and open communications with the Company's external auditors, internal auditors and management. The Committee will periodically meet with the external auditors without representatives of management present to discuss the adequacy of the Company's disclosures and policies, and to satisfy itself regarding the external auditors' independence.

The Committee also has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

The Committee discharges its responsibilities by making recommendations to the Board, however it does not have any executive powers to commit the Board or management to their implementation. The Committee is not responsible for supervising the performance of executives and is not involved in day-to-day operations, management functions or decision making.

#### **5. Duties and Responsibilities**

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##### **5.1 External Reporting**

- Consider the appropriateness of the Company's accounting policies and principles and any changes, as well as the methods of applying them, ensuring that they are in accordance with the stated financial reporting framework.
- Assess significant estimates and judgements in financial reports by enquiring of management about the process used in making material estimates and judgements and then enquire of the internal and external auditors the basis of their conclusions on the reasonableness of management's estimates.
- Review management's processes for ensuring the monitoring compliance with laws, regulations and other requirements (including the Australian Accounting Standards, the Corporations Act 2001 (Cth) and the ASX market and listing rules) relating to the external reporting of financial and non-financial information.
- Ensure that a comprehensive process is established by management to capture issues for the purposes of continuous reporting to the ASX.
- Assess information from internal and external auditors that affects the quality of financial reports (eg: actual and potential material audit adjustments, financial report disclosures, non-compliance with the laws and regulations, internal control issues).
- Ask the external auditor for an independent judgment about the appropriateness, not just the acceptability, of accounting principles used and the clarity of the financial disclosure practices used or proposed to be used as put forward by management.
- Review documents and reports to regulators and make recommendations to the Board on their approval or amendment.
- Assess the management of non-financial information in documents (both public and internal) to ensure the information does not conflict inappropriately with the financial statements and other documents and assess internal control systems covering information releases that have the potential to adversely reflect on the Company's conduct.
- Review the completeness and accuracy of the reporting of the entity's main corporate governance practices as required under the listing rules of any stock exchange where the securities of the Company are quoted.
- Recommend to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.
- Require the CEO and CFO to report to the Board whether the Company's financial reports present a true and fair view, in all material respects, of the Company's financial conditions and operational results and are in accordance with relevant accounting standards.

## 5.2 Related-Party Transactions

Review and monitor the propriety of related-party transactions. Ensure that a register of Related Party Transactions is maintained.

## 5.3 Internal Control and Risk Management

- Set the level of risk appetite and management within the Company;
- Preparing and regularly review and updating, if necessary, the Company's Risk Profile.
- Assess the internal processes for determining and managing key risk areas, particularly:
  - Non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
  - Important judgements and accounting estimates;
  - Contractual risks and indemnities;
  - Business licence requirements;
  - Litigation and claims;
  - Technology risk;
  - Environmental & Social sustainability risks;
  - Insurance program;
  - Fraud and theft;
  - Relevant business risk other than those that are dealt with by other specific Board committees;
- Ensuring that the Company has an effective risk management system;
- Receive from management reports on all material suspected and actual frauds, thefts and breaches of laws;
- Setting a materiality level for risk management;
- Receive reports concerning the risk implications of new and emerging risk, legislative or regulatory initiatives and changes;
- Address the effectiveness of the internal control system with management and the internal and external auditors;

- Examine & evaluate the process for assessing and continuously improving internal controls, particularly those related to areas of significant risk;
- Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk;
- Conducting investigations into breaches or potential breaches of internal controls and resulting incidents.
- Assess the independence of the external or internal auditors.
- Assess the effectiveness of and compliance with the Company's Code of Conduct;
- Meet periodically with key management, internal and external auditors and compliance staff to understand and discuss the control environment;
- Ensure that the CEO and CFO each provide a written statement to the Board that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

#### **5.4 External Compliance Reviews**

- Engage consultants outside of the Company to conduct compliance reviews if deemed appropriate.

#### **5.5 External Audit**

The Board and management need to ensure that the statutory auditor is both independent and seen to be independent. The purpose of an independent statutory audit is to provide shareholders and investors with reliable and clear financial reports on which to base investment decisions. The Audit Committee's external audit responsibilities include:

- making recommendations to the Board on the appointment, remuneration and monitoring of the performance and independence of the external auditor;
- ensuring that any suggestions by management that the auditor needs to be replaced or that the audit needs to be put out to tender are referred to and examined carefully by the Audit Committee with it reporting to the Board on its examination before any decision is made by the Board;
- reviewing the external auditor's fees and be satisfied that an effective, comprehensive and complete audit can be conducted for the set fee;
- at the start of each audit, agreeing on the terms of the engagement with the external auditor;

- inviting the external auditor to attend Audit Committee meetings to, at least, review the audit plan, discuss audit results and consider the implications of the external audit findings for the control environment;
- together with the external auditor, reviewing the scope of the external audit (particularly the identified risk areas) and any additional agreed-upon procedures on a regular and timely basis;
- enquiring of the auditor if there have been any significant disagreements with management irrespective of whether or not they have been resolved;
- monitoring and critiquing management's responsiveness to the external auditor's findings and recommendations;
- reviewing all representation letters signed by management and ensuring that the information provided is complete and appropriate;
- providing the opportunity for the AUDCO members to meet with the external auditors without management personnel being present at least once a year;
- reviewing the external auditor's independence based on the external auditor's relationships and services with the entity and other organisations that may impair or appear to impair the external auditor's independence.
- Request the external auditor to attend the annual general meeting of the Company.

## 5.6 Internal Audit

The Committee is responsible for determining whether an independent Internal Audit function is convened within the Company, with the associated appointment of a Head of Internal Audit or whether the duties and responsibilities of the function will be assumed by the AUDCO and the Company's external auditors. In making this determination, the AUDCO will take into consideration the size of the Company, the complexity of the Company's operations and risk profile.

The role of an internal audit function is to provide an independent assessment of risk and compliance with internal controls. The results of internal audits are to be reported to the CEO, CFO and the AUDCO on a regular basis. In addition, processes have been put in place to ensure that appropriate follow up actions are taken in relation to significant audit findings and identified areas of risk. The AUDCO's internal audit responsibilities include:

- Determining whether to appoint internal auditors.
- Approving the appointment, terms of engagement and dismissal of the Head of the Internal Audit function.
- Reviewing the mission, charter and resourcing (including qualifications, skills and experience of all personal; funding and equipment) of the internal audit function;



- reviewing and approving the scope of any internal audit plan and work program;
- monitoring the progress of the internal audit plan and work program and considering the implications of internal audit findings for the control environment;
- monitoring and critiquing management's responsiveness to internal audit's findings and recommendations;
- evaluating the process which the Company has in place for monitoring and assessing the effectiveness of the internal auditor;
- overseeing the co-ordination of the internal auditor with the external auditor;
- providing the opportunity for AUDCO members to meet with the Head of the internal audit function without management personnel being present at least once a year.

## **6. Fees and Expenses**

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Committee members are not entitled to receive additional remuneration for their role as members of the Committee unless approved by the Board.

The reasonable expenses incurred by Committee members in discharging their obligations and attending Audit Committee meetings will be reimbursed by the Company, consistent with Company policies which are established from time to time.

## **7. Authority and Approval**

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The Committee has been given authority to act by the Board. The Committee's terms of reference are to be reviewed every two years by the Committee to ensure they remain consistent with the Committee's authority, objectives and responsibilities. Any significant changes to the terms of reference are to be recommended by the Committee to the Board for approval.