

Audit and Risk Committee Charter

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POLICY

The Downer EDI Limited Audit and Risk Committee has been established to assist the Board in its oversight of:

- the integrity of the Company's accounting and financial reporting practices;
- the Company's risk profile and risk policies;
- the effectiveness of the Company's system of internal control and framework for risk management; and
- the Company's compliance with applicable legal and regulatory obligations.

PURPOSE

This Charter sets out the functions and responsibilities of the Audit and Risk Committee and how the Audit and Risk Committee will operate. The Audit and Risk Committee has the power to make decisions about any of its responsibilities as set out in this Charter.

SCOPE

The Board, the Audit and Risk Committee and the Company.

1.0 RESPONSIBILITIES AND FUNCTIONS

1.1 Responsibilities and functions generally

The Audit and Risk Committee is responsible for:

- a) assessing whether the Company's external reporting is consistent with the information and knowledge of members of the Audit and Risk Committee and whether it is adequate for the needs of the Company's shareholders;
- b) assessing the management processes supporting external reporting;
- c) overseeing the development, implementation and review of the procedures for selection and appointment of the Company's external auditor and for the rotation of external audit engagement partners;
- d) making recommendations to the Board about the appointment and removal of the Company's external auditor;
- e) assessing the performance and independence of the Company's external auditors, including confirming that provision of non-audit services by the Company's external auditors has not compromised the auditor's independence (if the Company's external auditor provides non-audit services);
- f) assessing the performance and objectivity of the Company's internal audit systems, including the Company's internal audit function;

- g) reporting to the Board the results of the Audit and Risk Committee's review of the Company's risk management, internal controls and compliance systems and processes;
- h) making recommendations for the appointment or, if necessary, the dismissal of the head of the Company's internal audit function;
- i) monitoring, reviewing and assessing the propriety of related party transactions;
- j) ensuring that the Senior Executive team and the Executive team has implemented a structured and comprehensive risk management system across the Company;
- k) reviewing, and approving for recommendation to the Board, guidelines and policies governing the oversight and management of the Company's material business risks, including the processes by which Senior Executives assess, manage and control the Company's exposure to risk; and
- l) monitoring material changes to the Company's risk profile.

1.2 External reporting

The Audit and Risk Committee is responsible for:

- a) overseeing the development and implementation of a structure of review and authorisation to ensure the integrity of the Company's financial reporting;
- b) reviewing and assessing the Company's accounting policies and principles, including any proposed significant amendments;
- c) reviewing and assessing any significant estimates and judgments in the Company's financial reports, and considering whether the policy or method used is appropriate;
- d) reviewing and assessing the processes used by the Company's internal auditor and relevant Senior Executives and Executives to monitor and ensure compliance with the Company's legal and regulatory obligations relating to external reporting of the Company's financial and non-financial information;
- e) reviewing and assessing information provided by the Company's internal and external auditors that may affect the quality of the Company's financial reports;
- f) reviewing the financial report to be included in the Company's annual report with relevant Senior Executives, Executives and the Company's external auditor; and
- g) recommending to the Board whether the financial and non-financial statements should be approved by the Board.

1.3 External audit

The Audit and Risk Committee is responsible for:

- a) reviewing the performance of the Company's external auditors annually and making recommendations to the Board about the appointment or reappointment, compensation, retention, termination and oversight of the Company's external auditor in accordance with the Company's *Procedure for the selection and appointment of an external auditor*;
- b) regularly reviewing and assessing the independence of the Company's external auditor and, at the start of each audit, the terms of their engagement;
- c) reviewing and approving the scope of the annual audit plan and audit services to be provided;
- d) monitoring the activities of the Company's external auditor by liaising with the external auditor to ensure that each audit is conducted effectively;
- e) reviewing the Company's external auditor's assessment of financial statement materiality;
- f) ensuring that there are no internal restrictions or limitations on the Company's external auditor and monitoring the responsiveness by Senior Executives and Executives to the external auditor's findings and recommendations; and
- g) assessing whether the non-audit services provided to the Company by its external auditor or any other relationship between the Company and its external auditor impacts on the independence and objectivity of the external auditor or the quality of the audit services provided to the Company by the external auditor.

1.4 Internal audit

The Audit and Risk Committee is responsible for:

- a) annually reviewing the performance of the internal auditors and making recommendations to the Board about appointment, re-appointment and termination;
- b) reviewing and approving the scope of the annual internal audit plan and internal audit services to be provided;
- c) reviewing any significant matters arising from audit activities and monitoring the responsiveness by Senior Executives and Executives to the internal auditor's findings and recommendations;
- d) overseeing the resolution of any disputes arising out of the internal audit;
- e) reviewing the adequacy of the Company's financial processes and related internal controls;
- f) overseeing implementation of procedures to ensure the Company's internal auditors have access to relevant personnel and Company books.

1.5 Related party transactions

The Audit and Risk Committee is responsible for:

- a) monitoring and reviewing related party transactions;
- b) ensuring the Company complies with its legal and regulatory obligations, and the Company's *Statement of Director-related transaction policy*, when dealing with related parties;
- c) reviewing and, if appropriate, approving the following types of related party transactions:
 - i) contracts for the supply of goods and services which extend beyond one year, or where the total value of goods and services supplied under the contract exceeds \$5 million in any one year;
 - ii) all agreements to lease and leases of property; and
 - iii) all agreements for the purchase or sale of freehold and leasehold property;
- d) reviewing reports prepared by the CFO, the Company Secretary and the external auditors about related party transactions;
- e) approving all disclosures made by the Company about related party transactions.

1.6 Risk Management, Evaluation and Monitoring Processes

The Audit and Risk Committee is responsible for:

- a) ensuring that the Senior Executive team and the Executive team has implemented a structured and comprehensive risk management system across the Company which is capable of:
 - i) identifying, assessing, monitoring and managing risks that could have a material impact on the Company's business (including operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related risks); and
 - ii) providing appropriate assurances to the Senior Executive team and the Board;
- b) reviewing, and approving for recommendation to the Board, guidelines and policies governing the oversight and management of the Company's material business risks, including the process by which Senior Executives assess, manage and control the Company's exposure to risk;
- c) monitoring the adequacy and effectiveness of the Company's risk management, internal controls and compliance systems and processes including procuring that periodic reviews of extraneous risks which could affect the Company are conducted and considering the results of those reviews;
- d) monitoring material changes to the Company's risk profile;
- e) ensuring that the Company's Tenders and Contracts Committee and the Company's Legal Group has implemented a structured and comprehensive

Company-wide system for:

- i) assessing whether the Company will respond to a request for tender; and
- ii) preparing the Company's responses to requests for tender;
- f) monitoring the adequacy and effectiveness of the Company's tender approval processes; and
- g) reviewing the risk management and policies of the Company generally and undertaking such other tasks as the Board or the Chief Executive Officer and Managing Director may request from time to time.

2.0 MEMBERSHIP

2.1 Composition

Each member of the Audit and Risk Committee must be financially literate and able to read and understand financial statements.

At least one member of the Audit and Risk Committee must be a qualified accountant or other finance professional with experience in financial and accounting matters, and more than one member must have an understanding of the industry in which the Company operates.

2.2 Chairman

The Chairman of the Board may not be appointed as Chairman of the Audit and Risk Committee.

3.0 ADMINISTRATION

3.1 Operational guidelines

The *Operational Guidelines for the Board Committees* ("the Guidelines") sets out the procedures and requirements to ensure the Audit and Risk Committee fulfils its specific role and responsibilities.

The Guidelines form part of, and must be read with, this Charter. If there is an inconsistency about a specific procedure or requirement between this Charter and the Guidelines, the arrangements set out in this Charter apply.

3.2 Meetings

The Company's internal and external auditors have the right to contribute to the agenda for any Audit and Risk Committee meeting.

The Audit and Risk Committee may, at the discretion of its Chairman, meet with:

- a) Senior Executives and Executives (without the external auditors being present) to discuss any issues within its responsibilities; and
- b) the Company's internal and external auditors (without Senior Executives or Executives being present) to discuss any issues, including any restrictions that may be affecting the work of the Company's internal or external auditors.

3.3 Attendees

The Audit and Risk Committee may invite any person to attend any meeting or part of any meeting of the Audit and Risk Committee.