

Audit & Risk Committee Charter

Capricorn Society Limited

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1. Objectives

The Audit & Risk Committee (**Committee**) is a committee of the board of directors (**Board**) of Capricorn Society Limited (**Company**).

The objective of the Committee is to give the Board additional assurance regarding the quality, integrity and reliability of financial information and systems, adequacy of accounting and control systems, application of accounting policies and to allow the Board to fulfil its responsibilities.

The Committee also acts as a communication means between the Board and the auditors to ensure significant issues and information arising from the external auditor's activities is brought to the attention of the Board.

The objective of the Committee is also to assist the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the company's risk management systems; internal control systems and compliance with applicable laws, regulations, standards and best practice guidelines.

2. Membership

- (a) The Committee must consist of:
 - (i) only non-executive directors;
 - (ii) a Chair elected by committee members, who is not chair of the Board; and
 - (iii) a minimum of three members.
- (b) It is intended that members of the Committee between them should 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 responsibilities effectively.
- (c) The Board may appoint a non-voting independent advisor and additional directors, or both, to the Committee, or remove or replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.
- (d) Non-Committee members may attend all or part of a meeting at the invitation of the Committee Chair.
- (e) The Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

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 Company's relationship with the internal auditor and the internal audit function generally;
- (c) oversee the preparation of the financial statements and report;
- (d) oversee the Company's financial controls and systems; and

- (e) oversee the process of identification of risk and the management of risk strategies.

3.2 Audit

- (a) The Committee's primary roles with respect of the external audit function are:
 - (i) to assist the Board in relation to the reporting of financial information;
 - (ii) to make recommendations to the Board in relation to the appropriate application and amendment of accounting policies;
 - (iii) to make recommendations to the Board in relation to the appointment, independence and remuneration of the external auditor ; and
 - (iv) to provide a link between the external auditors, the Board and management of the Company.
- (b) The following are intended to form part of the normal procedure for the Committee's risk and compliance responsibilities:
 - (i) review the Company's financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes;
 - (ii) 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 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;
 - (iii) receive and review reports of the external audit of the Company's financial statements, ensure that management takes appropriate and prompt remedial action in the event any reports indicate any major deficiencies or breakdowns in controls or procedures and advise the board appropriately;
 - (iv) 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;
 - (v) 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;
 - (vi) review the scope and adequacy of the external audit plan;
 - (vii) review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary;
 - (viii) review the scope, performance, independence and objectivity of the external auditors;
 - (ix) review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners;
 - (x) make recommendations to the Board in relation to the appointment (including the termination of an engagement), compensation (for audit and non-audit work), the terms of engagement and other contractual terms of the external auditors;
 - (xi) develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy;

- (xii) 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 as to 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 statement;
- (xiii) before the Board approves the Company's financial statements, review the declarations made by the Chief Executive Officer and Chief Financial Officer in relation to the Company's financial statements, financial records and systems; and

3.3 Risk & Compliance

- (a) The Committee's specific function with respect to risk management is to:
 - (i) make recommendations to the Board in relation to changes that should be made to the Company's Risk Management Policy;
 - (ii) monitor management's performance against the Company's Risk Management Policy for identifying, evaluating, managing, mitigating and reporting risks including whether the Company is operating within the Company's risk appetite set by the Board;
 - (iii) receive any reports from management that identify, evaluate, manage or mitigate material risks that may affect the Company's operations including any new and emerging sources of risk;
 - (iv) review and report to the Board that adequate policies and procedures have been designed and implemented to manage identified risks;
 - (v) review and report to the Board that proper remedial action is undertaken to redress areas of weakness.
 - (xiv) receive reports from internal audit in relation to its regular program of audits undertaken to test the adequacy of and compliance with prescribed policies for managing risk;
 - (xv) review the scope, results and effectiveness of the internal audit programs and the performance and objectivity of the internal audit function (if applicable), including whether the internal auditors are adequately resourced and coordinated with the external auditor. Monitor the independence of the internal audit programs (if any) from the external auditors and management. Review the outcomes and approve the internal audit program and the internal audit policy;
 - (xvi) review and approve the appointment and dismissal of the senior internal audit executive (or service provider if outsourced) and ensure the senior internal audit executive (or service provider if outsourced) is suitably qualified (if relevant);
 - (vi) review and make recommendations to the board for related party transactions and conflicts of interest other than dealt with by the Capricorn Relationship Committee; and
 - (vii) receive reports from management concerning the extent and adequacy of the Company's annual insurance program.

4. Relationship with External Auditor

The Committee provides a link between the external auditor and the Board and has the responsibility and authority to make recommendations to the Board 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.

5. Relationship with Internal Auditor (if applicable)

The Committee provides a link between the internal audit function and the Board. The internal auditor has a direct reporting line to the Committee and, therefore, to the Board.

6. Rights of Access and Authority

The Committee has rights of access to employees, management, regulatory authorities and auditors (internal and external) without management present, and the right to seek explanations and additional information from employees, management, regulatory authorities and auditors.

Whilst the internal audit function reports to senior management, it is acknowledged that the internal auditor also reports directly to the Committee.

The Committee, if necessary, instigates special investigations and, if appropriate, hires appropriate personnel to assist in providing any information it sees relevant to the execution of its activities.

The Committee will exercise its right of access to management and employees after advising the Group CEO.

Whilst the internal audit function and general counsel report to senior management, it is acknowledged that the head of the internal audit function and the general counsel also report directly to the Committee. All reports and submissions from these functions are made independently from other members of management.

7. Review

The charter will be reviewed at least every two years.

8. Administrative matters

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

Annexure 1 – Administrative matters and procedure

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 quarterly. The Committee may satisfy its objectives, duties and responsibilities, in addition to meeting as a Committee, through the Committee Chair leading sessions or agenda items at Board meetings involving matters set out in paragraph 3.2(b) of this charter.

2. Quorum

The quorum is at least two members present, either in person or by using technology. In calculating a quorum, in the instance in which an appointed Committee member is unable to attend a meeting, the Board can replace that Committee member with another director from the Board (a "substitute director") and the substitute director will be included in the calculation of the quorum.

3. Convening and notice of meeting

Any member, the Board chair or the Group CEO may, and the Company Secretary must upon request from these individuals, 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.

The Company Secretary will distribute in advance of the meeting of the Committee the agenda and related papers to each of the Committee members or any other persons determined by the Committee.

The Group CEO, CFO and a representative of the external auditor (on their request, or at the discretion of the Committee) may be invited to attend Committee meetings. Copies of the ARC papers and minutes are to be made available to the external auditor on their request.

The General Counsel and Head of Risk Advisory & Internal Audit are invited to attend Committee meetings in terms of the ATRM as required and on an ad hoc basis at the request of the Committee. The General Counsel and Head of Risk Advisory & Internal Audit have a direct reporting relationship with the chair of the ARC and all reports and submissions are made independently from other members of management.

The ARC may require any other director, member of staff or person external to the company (e.g. consultants or their representatives) to attend part or whole of a committee meeting from time to time if their attendance is deemed necessary

4. Voting at meetings

The Committee should pursue collective decision-making and seek consensus where possible. The Committee Chair should test consensus and, if a unanimous view cannot be reached, decisions will be based on a majority view.

Each Committee member will have one vote. If any equal number of votes is cast for and against a resolution, the Committee Chair does not have a casting vote in addition to their vote as a Committee member and the resolution is not passed.

The Committee Chair will report any dissenting views in his report to the board.

Independent advice

The Committee may seek the advice of the auditors, solicitors or other independent advisors, consultants or specialists as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee.

5. Minutes

Minutes of the meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee chair, be presented at the next relevant Board meeting.

All minutes of the Committee must be available in Diligent or other electronic platform for inspection at any time by any director.

6. Reporting

It is intended that the Committee Chair will provide an oral report of the actions of the Committee at the Board meeting next following a meeting of the Committee, and minutes of the Committee meeting will be provided to members of the Board once finalised.

All directors will be permitted, within the Board meeting, to request information of the Committee Chair or members of the Committee.