



Trac Group Holdings Ltd

ABN 89 115 007 540

Level 49, Governor Phillip Tower
1 Farrer Place
Sydney, NSW 2000, Australia

www.tractile.com.au

Audit and Risk Committee Charter

Adopted by the Board on 14 October 2015



Contents

1	Objective	1
2	Administration	1
	2.1 Membership	1
	2.2 Committee Chairman	1
3	Meetings	2
	3.1 Frequency of meetings	2
	3.2 Attendance by non-members	2
	3.3 Meetings other than in person	2
	3.4 Committee Secretary	2
	3.5 Quorum	3
4	Duties and Responsibilities – Audit	3
	4.1 External audit	3
	4.2 Financial statements	3
	4.3 Internal controls	4
	4.4 Other responsibilities	5
	4.5 Complaint handling	5
	4.6 Miscellaneous	5
5	Duties and Responsibilities – Risk	5
6	Periodic Review	6
7	Access	6
8	Reporting	6



1 Objective

The overall objective of the Audit and Risk Committee is to assist the Board of Directors of Trac Group Holdings Ltd (the **Company**) in fulfilling the Board's responsibility for oversight of the quality and integrity of the accounting, auditing, financial reporting, operational, governance, social and environmental risks of the Company including:

- (a) exercising oversight over the compliance of the financial statements with the requirements of the Corporations Act and any other mandatory professional reporting requirements, statutory reporting requirements, making informed decisions regarding accounting and regulatory policies, judgements, practices and disclosures;
- (b) reviewing the scope and results of internal audit reviews and external audits;
- (c) assessing the effectiveness of the Company's internal controls;
- (d) assessing the effectiveness of the Company's internal audit functions in carrying out the responsibilities of their charters;
- (e) reviewing the Company's social and environmental impact; and
- (f) focusing appropriate attention on the risk management framework of the Company.

2 Administration

2.1 Membership

The Committee will consist of:

- (a) only non-executive Directors;
- (b) a minimum of two members;
- (c) a majority of independent Directors; and
- (d) an independent Chairman of the Committee, who is not the Chairman of the Board.

Members should be financially literate.

The current members of the Committee, including their qualifications and experience, will be disclosed in the Company's Annual Report or on the Company's website.

2.2 Committee Chairman

The Committee Chairman will preside at meetings of the Audit and Risk Committee. If the Committee Chairman is not present at a Committee meeting, the members must elect another member to act as Committee Chairman for that meeting.

The role of the Committee Chairman is to:

- (a) determine the agenda for meetings of the Committee in conjunction with the Committee Secretary (as defined below in section 3.4);
- (b) chair meetings of the Committee and take reasonable steps for the proper functioning of the Committee, including the proper conduct of meetings and an appropriate level of discussion;
- (c) take reasonable steps regarding the adequate flow of relevant information to the Committee;
- (d) take reasonable steps to advise the Board on the Committee's recommendations to the Board on matters falling within the scope of the Committee's responsibilities;



- (e) review the minutes of meetings of the Committee for circulation to and approval by the Committee and sign the approved minutes; and
- (f) act under a delegation of the Committee, including liaising on behalf of the Committee with consultants advising the Committee.

3 Meetings

3.1 Frequency of meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil its role. However, it is intended that the Committee will normally meet at least 4 times a year.

In addition, the Committee Chairman is required to call a Committee meeting if requested to do so by:

- (a) any Committee member;
- (b) the CEO;
- (c) the CFO; or
- (d) any other Director.

The number of Committee meetings and Committee members' attendance at those meetings will be disclosed each year in the Company's Annual Report or on the Company's website.

3.2 Attendance by non-members

All Directors may attend Committee meetings. The CEO and CFO of the Company will normally be invited to attend Committee meetings at the invitation of the Committee but will have no voting rights. They will not attend closed sessions of the Committee with the external and internal auditors.

Members of management and/or parties external to the Company may be invited to attend any Committee meeting or part thereof subject to the invitee not having a material personal interest in the matter of the Committee being considered. Non-members of the Committee may be asked to withdraw from all or any part of a meeting.

3.3 Meetings other than in person

Where deemed appropriate by the Committee Chairman, meetings may occur via conference call or other electronic means and approvals and recommendations may occur via written resolution.

3.4 Committee Secretary

The Company Secretary (or delegate as approved by the Committee) will act as secretary of the Committee and will be responsible, in conjunction with the Committee Chairman, for drawing up the agenda (supported by explanatory documentation and papers) and circulating the Committee papers to Committee members prior to each meeting. Directors may request papers for or from any meeting and will be notified in advance of the agenda of forthcoming meetings.

The Committee Secretary will also be responsible for keeping the minutes of meetings of the Committee (except when the Committee is in closed session) and circulating them to the Committee Chairman for review, as well as to the other Committee members, Board members and Committee meeting attendees as appropriate.



3.5 Quorum

A quorum must consist of at least two members.

4 Duties and Responsibilities – Audit

The Committee has the duties and responsibilities as set out in sections 4.1 to 4.6 below in respect of audit matters.

4.1 External audit

- (a) Recommend to the Board the appointment and removal of the external auditors. This will include periodic reviews of the external auditor.
- (b) Review, consider and advise the Board on:
 - (i) the external auditor's annual plan;
 - (ii) the fees proposed by the external auditor, including whether an effective, comprehensive and complete audit can be conducted for the fee; and
 - (iii) the annual review of the qualification, expertise, resources and performance of the external auditor.
- (c) Confirm that there have been no unjustified restrictions or limitations placed on the external auditor.
- (d) Monitor the effectiveness, objectivity, and independence of the external auditors. This may include obtaining statements from the external auditors on relationships between them and the Company.
- (e) Review the scope and terms of the engagement for the external audit to establish that they are adequate, placing emphasis on areas where the Board, the Committee, management and/or the external auditors consider special emphasis is necessary.
- (f) Approve and monitor the Company's policy in relation to the provision of non-audit services by the external auditor to avoid impairing the external auditor's independence or objectivity.

4.2 Financial statements

- (a) Review with management and in conjunction with the external auditor at the completion of the half yearly review and the annual audit, and advise and make recommendations to the Board on:
 - (i) the Company's financial statements and related notes (and adoption thereof);
 - (ii) the external auditor's audit or review of the financial statements and the report thereon;
 - (iii) any significant changes required in the external auditor's audit plan, including new or proposed accounting practices, principles or developments, disclosure requirements and legislative or regulatory pronouncements and its effect on the external auditor's audit plan;
 - (iv) any serious difficulties or disputes with management encountered during the course of the audit or review; and



- (v) other matters related to the conduct of the audit or review which are communicated to the Committee.
- (b) Review the significant accounting and financial reporting issues and judgements, including complex or unusual transactions made in connection with the preparation of the Company's financial statements, interim reports, preliminary announcements and related formal statements.
- (c) Review the disclosures in the financial statements.
- (d) Review recent regulatory and professional pronouncements and understand their impact on the financial statements, as advised by the CFO.
- (e) Review the Company's financial statements and consider whether they are consistent with information known to Committee members and reflect appropriate accounting principles, standards and regulations.
- (f) Advise the Board as to whether it has received a declaration from the CEO and CFO that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 Internal controls

- (a) Consider and review with the external and internal auditor:
 - (i) the adequacy of the Company's internal controls in the context of the external and internal audit work undertaken;
 - (ii) the adequacy of the Company's financial regulatory reporting to corporate regulators as appropriate, including its view on the quality and acceptability of the Company's accounting principles and policies; and
 - (iii) any related significant findings and recommendations of the external auditor and management's response thereto.
- (b) Consider and review with management and the CFO:
 - (i) any matters that might have a significant impact on the financial condition or affairs of the Company;
 - (ii) the adequacy of the process for reporting and responding to significant control weaknesses including the adequacy and results of management's investigations and follow ups and whether there are unresolved issues as reported by the external auditor and the internal audit;
 - (iii) the adequacy of the Company's internal controls through reviewing the scope and results of the internal audit;
 - (iv) any difficulties encountered in the course of reviews, including any restrictions on the scope of the work or access to required information;
 - (v) any instances of significant internal and external fraudulent activity identified and responses thereto; and



- (vi) the findings of any auditor observations.
- (c) Monitor and review:
 - (i) the effectiveness of the internal audit function in forming an independent assessment as to whether risks have been properly identified, whether adequate controls are in place to manage these risks and whether those controls are working effectively; and
 - (ii) the degree of independence of the internal audit function including being independent of the external auditor.
- (d) Approve the scope of the internal audit.
- (e) Disclose the structure of the internal audit function and the role it performs in the Company's Annual Report or on the Company's website.
- (f) Provide oversight in connection with the following for the internal audit:
 - (i) progress against annual audit and time allocation;
 - (ii) changes required in the planned scope of the annual audit; and
 - (iii) structure, resourcing and the use of external consultants.
- (g) Review any other reports the Company issues that relate to the Committee's responsibilities.
- (h) Meet privately with the following persons or parties at least annually in separate sessions to discuss any matters that the Committee or these parties believe should be discussed privately with the Committee:
 - (i) CFO;
 - (ii) the external auditors; and
 - (iii) the internal auditors.

4.4 Other responsibilities

Perform or undertake on behalf of the Board any such other tasks, investigations or actions as the Board may from time to time authorise.

4.5 Complaint handling

Review and consider the resolution of complaints regarding accounting, internal accounting controls or auditing matters from employees and the process to protect such employees making complaints.

4.6 Miscellaneous

Institute and oversee special investigations including consultation with independent experts as needed.

5 Duties and Responsibilities – Risk

The Committee has the following duties and responsibilities:

- (a) Review, at least annually, the Company's risk management framework (including any significant variations to it) and disclose in the Company's Annual Report or on the Company's website whether a review has taken place for the relevant reporting period.



- (b) Endorse the Company's risk management framework and oversee its effectiveness, with a view to specifically enabling the timely and effective identification of material risks to the Company.
- (c) Receive and review reports concerning the appropriateness of the risk management framework and approve or vary it as necessary.
- (d) Review and make recommendations to the Board on the Company's overall risk profile and risk appetite as well as the Company's risk profile in each risk area of market, liquidity, equity, credit, regulatory, and operational. There should also be a review of:
 - (i) developments in markets in which the Company operates;
 - (ii) the appropriate level of insurance cover that the Company should maintain, including the terms and conditions of any such insurances; and
 - (iii) experience of profits and losses in each risk category to provide confidence that the Company's policy reflects and is consistent with experience.
- (e) Review and make recommendations to the Board on the Company's capital management plan including information on the Group's capital adequacy and economic capital model.
- (f) Review and approve risk matters requiring Board approval including significant variations to policies, limits and delegations of authority where these have not been reviewed by the Board.
- (g) Review limit and policy breaches to the extent that there are implications for the risk management framework.
- (h) Assess the risk management framework against the expectations of corporate regulators.

6 Periodic Review

The Committee has the responsibility to:

- (a) review this Committee Charter at any time when required and recommend any proposed changes to the Board for approval; and
- (b) conduct a periodic, but at least annual, evaluation of the Committee's performance and the extent to which the Committee has met the objectives set out in this Committee Charter.

7 Access

The Committee will have free and unfettered access to all personnel and other parties (internal and external), including the external auditors and legal advice.

Committee members may seek independent professional advice for Company related matters at the Company's expense, subject to the estimated costs being approved by the Chairman of the Board, in advance, as being reasonable.

8 Reporting

The Committee, through the Committee Chairman, is to advise and make recommendations to the Board on matters falling within the scope of its responsibilities. Such advice may be in the form of minutes of its meetings, supporting papers, or written or oral reports at Board meetings.