



Beacon Lighting Group Limited

ACN 164 122 785

## Audit Committee Charter

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## Role and responsibilities

The audit committee is not a policy-making body but assists the board by implementing board policy. The role of the committee includes assisting the board in the company's governance and exercising of due care, diligence and skill in relation to:

- Reporting financial information to users of financial reports
- Application of accounting policies
- Financial management
- The internal control system
- Protection of the company's assets
- Compliance with applicable laws, regulations, standards and best practice guidelines

Refer the attached Appendix for more detailed explanation of the committee's responsibilities.

## Other committee objectives

- Improving the credibility and objectivity of the accountability process, including financial reporting
- Overseeing the effectiveness of the external audit functions and providing a forum for communication between the board and the external auditors
- Ensuring the independence of the external auditor
- Assuring the quality of internal and external reporting of financial and non-financial information

## Authority

The board authorises the audit committee, through the chair, to:

- Appoint, compensate and oversee the work of any registered company auditor employed by the organisation
- Resolve any disagreements between management and the auditor on financial reporting
- Pre-approve all auditing and non-audit services
- Retain independent counsel, accountants or others to advise the audit committee or assist in the conduct of an investigation
- Seek any information it requires from Team Members, who are directed to co-operate with the audit committee's requests, or from external parties

## Composition

The audit committee will consist of at least 3 members, including at least 2 non executive directors of the board and can include external consultants. The board will appoint audit committee members. The audit committee will elect its chair. Membership of the audit committee is to be confirmed annually by the board.

At least one member of the audit committee will be a qualified accountant holding a current accounting qualification (CPA or CA).

## Invitees

Other persons may attend meetings of the audit committee by invitation. Persons who may usually be invited (if not already committee member) are:

- The Chief Executive Officer
- The Chief Financial Officer / Financial Controller
- The Finance Manager
- An external Audit provider

These people may take part in the business of, and discussions at, the meeting but have no voting rights.

All board members have a standing invitation to attend all audit committee meetings.

## Meetings

The audit committee will meet at least four times a year and additionally as the committee considers necessary at appropriate points in the audit cycle. The external auditors may request a meeting and such a request is to be met.

A quorum will be more than half the members. In the chair's absence from a meeting, the members present will select a chair for that particular meeting.

All audit committee members are expected to attend each meeting in person or through other approved means such as teleconferencing or video conferencing.

The notice and agenda of a meeting will include relevant supporting papers.

The audit committee may invite other people to attend as it sees fit and consult with other people or seek any information it considers necessary to fulfil its responsibilities. The members may meet separately with auditors.

## Voting

Any matters requiring decision will be decided by a majority of votes of members present.

## Conflicts of interest

Committee members will be invited to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged. Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from committee discussions on the issue where a conflict exists.

## Secretariat duties

The Finance Manager will act as secretary to the audit committee. The secretary will assist the chair to develop and distribute agendas, papers, minutes and calendar.

## **Minutes**

Minutes must be prepared, approved by the chair and circulated to the members within two weeks of a meeting. At the following meeting, the minutes must be ratified by the members present at the meeting and signed by the chair.

## **Reporting to the board**

The chair of the audit committee is to report to the board following each committee meeting. The manner of reporting may be by distribution of a copy of the minutes supplemented by other necessary information, including recommendations requiring board action and/or approval.

## **Reviews**

The audit committee will review its performance on an annual basis. The review may be conducted as a self-assessment and will be co-ordinated by the chair. The assessment may seek input from any person. Training needs will be monitored by the chair.

The audit committee should review this charter annually to ensure that it remains consistent with the board's objectives and responsibilities. The board should then approve or further review the charter.

## Appendix – responsibilities of the audit committee

The audit committee will carry out the following responsibilities:

### Financial reporting

- Review management’s processes for ensuring and monitoring compliances with laws, regulations and other requirements
- Review the financial information presented by management to the Board, shareholders and bankers (including periodic financial results, annual and rolling budgets and KPI’s) with particular regard to compliance with statutory and banking covenant obligations.
- Consider the appropriateness of the accounting principles and policies adopted and any amendments, as well as the methods of applying those principles and policies ensuring they are in accordance with the stated financial reporting framework
- Assess significant estimates and judgements in financial reports by asking management about the process used in making material estimates and where applicable, then ask the external auditors the basis for their conclusions on the reasonableness of management’s estimates
- Assess management explanations for unusual transactions or significant variances from prior year results or current year budget
- Assess the management of non-financial information in documents to ensure the information does not conflict with the financial statements or other documents
- Review significant financial and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory announcements and understand their effect on annual financial statements
- Review with management and the external auditors the results of the audit, including any difficulties encountered
- Review the annual financial statements
- The audit committee will receive from the CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate account standards and give a true and fair view of the financial position and performance of the entity before recommending to the board the approval of financial statements for any given reporting period
- Recommend to the board whether the annual financial statements should be signed based on the audit committee’s assessment of them

### Internal control and financial risk management

- Assess the internal processes for determining and managing key risk areas, particularly:
  - Compliance with laws, regulations, standards and best practice guidelines
  - Important judgements and accounting estimates
  - Litigation and claims
  - Fraud and theft, and
  - Relevant business risks other than those dealt with by other board committee / processes
- Address the effectiveness of the internal control systems with management and the external auditors
- In relation to insurances:
  - Review an annual insurance program including: the level of cover, premium, principal terms and exclusions
  - Review and approve any material new insurances, proposed cancellations or variations of existing policies
  - Be advised of each renewal (including details of the principal terms) of material insurances within the insurance program

### External audit

- Make recommendations to the board on the appointment, remuneration and monitoring of the effectiveness and independence of the external audit provider
- Review the external audit provider's fee and be satisfied that an effective audit can be conducted for the fee
- At the start of each audit, agree the terms of engagement with the provider and review the annual engagement letter
- Review and confirm the independence of the external audit provider by obtaining statements from the provider on relationships between the auditor and the company (including non-audit services) and discussing the relationships with the auditor
- Monitor and critique management's responsiveness to the external audit provider's findings and recommendations – ask the provider if there have been any significant disagreements with management (irrespective of whether they have been solved)
- Provide the opportunity for audit committee members to meet with the external audit provider without management personnel being present at least twice per year
- Advise the board on the rotation of the external audit provider at intervals of approximately each five years or otherwise as appropriate

### **Related party transactions**

Review and monitor the propriety of related party transactions

### **Other responsibilities**

- Perform other activities related to this charter as requested by the board
- Institute and oversee special investigations as needed
- Review and assess the adequacy of this charter annually, requesting board approval for changes and ensure appropriate disclosure as required by law or regulation
- Confirm annually that all responsibilities outlined in this charter have been carried out
- Evaluate the audit committee's and individual members' performance annually