



# AUDIT COMMITTEE CHARTER

INDEPENDENCE GROUP NL





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## 1. INTRODUCTION

The board of directors (**Board**) of Independence Group NL (**IGO**) has resolved to establish an Audit Committee of the Board (**Committee**).

The Board has approved this Charter which prescribes the role and responsibilities, composition, structure and membership requirements for the Committee.

## 2. ROLE

The primary role of the Committee is to monitor and review, on behalf of the Board, the effectiveness of the control environment of IGO and its related bodies corporate (as defined in the Corporations Act) (the **Group**) in the areas of balance sheet risk, relevant legal and regulatory compliance and financial reporting.

The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by management, in particular those reports to be provided to shareholders and/or filed with regulators.

The Committee meets and receives regular reports from its external auditors concerning matters that arise in connection with their audit. The Committee is also responsible for review of performance, independence and nomination of the external auditors. (Note: Internal Audit is overseen by the Sustainability and Risk Committee).

## 3. AUTHORITY

Within the scope of its responsibilities, the Committee is generally authorised to:

- consult with and seek any information from any director or employee of IGO or any external party;
- obtain (at IGO's expense) financial, legal or other professional advice from external consultants or specialists as it considers necessary to assist the Committee in meeting its responsibilities; and
- require the attendance of any IGO employee at Committee meetings.

## 4. MEMBERSHIP

Committee members are appointed by the Board until the Board, in its absolute discretion, determines otherwise. The Board may appoint additional non-executive directors to the Committee and may remove or replace members of the Committee by ordinary resolution. The Committee should be of sufficient size, independence and technical expertise to discharge its mandate effectively.

The Committee must contain:

- only non-executive directors;
- a majority of independent directors; and
- at least three members of the Board.

Members of the Committee may withdraw from the Committee by notifying the Board in writing.

The Chairman of the Committee (**Committee Chair**) must be an independent director and must not be the Chairman of the Board. If the Committee Chair is unable to attend a Committee meeting, the Committee members present at that meeting must appoint a Committee member to chair the meeting.

Other directors who are not Committee members may attend meetings of the Committee should they wish and are entitled to receive all Committee papers. Selected members of management may attend meetings of the Committee by invitation.

All Committee members must have sufficient financial knowledge and understanding and must be financially literate (able to read and understand financial statements) as well as having a sound understanding of the industry in which IGO operates to allow them to discharge their responsibilities under this Charter.

## 5. DUTIES AND RESPONSIBILITIES

The Committee will be responsible for:

- overseeing the Group's relationship with the external auditor and the external audit function generally as set out in the External Audit Policy (see Attachment 1);
- overseeing the adequacy of the control processes in place in relation to the preparation of financial statements and reports; and
- overseeing the adequacy of the Group's financial controls.

The Committee's specific function on audit is to review and report to the Board that:

- a regular program of audit is undertaken to test the adequacy of compliance with prescribed policies;
- the system of control, which management has established, effectively safeguards the assets of the Group;
- processes are in place such that accounting records are properly maintained in accordance with statutory requirements; and
- processes exist to reasonably guarantee that financial information provided to investors and the Board is accurate and reliable.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- recommending to the Board the appointment and removal of the external auditors and reviewing the terms of engagement;
- approving the audit plan of the external auditors;
- monitoring the effectiveness and independence of the external auditor, including reviewing the level of non-audit services provided by the external auditor and ensuring it does not adversely impact on auditor independence;
- obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;

- reviewing and appraising the quality of audits conducted by the Group’s external auditors and confirming their respective authority and responsibilities;
- monitoring the relationship between management and the external auditors;
- evaluating the adequacy, effectiveness and appropriateness of the Group’s administrative, operating and accounting control systems and policies;
- reviewing and evaluating controls and processes in place to ensure compliance with approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- review, at least annually, and if necessary approve any changes to the Financial Risk Management Standard;
- overseeing the Group’s financial reporting and disclosure processes and the outputs of those processes;
- reviewing and reporting to the Board on the annual and half year financial reports;
- reviewing and approving the quarterly activity reports for release to the ASX;
- determining the reliability, integrity and effectiveness of accounting policies and financial reporting and disclosure practices, including review and approval any significant non-mandatory accounting policy change;
- reviewing (in consultation with management and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policy changes;
- reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group’s financial risk management policies;
- evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks; and
- review and make recommendations on the declaration from the Managing Director and Chief Financial Officer to the Board, as suggested by Recommendation 4.2 of the ASX Corporate Governance Council’s, Corporate Governance Principles and Recommendations, 3rd Edition (the “Principles”), and any statement given in accordance with section 295A.

## 6. ADMINISTRATIVE MATTERS

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 meet at least four times each year. A quorum consists of the lesser of two members or a majority of members of the Committee.

The Committee will be given the necessary power and resources to meet the requirements of this Charter, including:

- access to financial, legal or other independent advisers, in accordance with the Board’s general policy;
- access to such members of management as the Committee deems appropriate;

- access to internal and external auditors without management present; and
- the right to seek explanations and additional information from management and internal and external auditors.

The Company Secretary will attend all Committee meetings as minute secretary. All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any director. The minutes of a Committee meeting will be included in the papers for the next full Board meeting after each Committee meeting.

The company will disclose this Charter on the website on its website and will disclose the following in its Annual Corporate Governance Statement:

- Committee membership;
- The relevant experience and qualifications of each Committee member;
- The number of times the Committee has met during the financial year; and
- The individual attendances of members at Committee meetings.

## 7. REPORTING

The Committee will report to the Board on all matters relevant to the Committee's roles and responsibilities, including:

- assessment of whether external reporting is consistent with committee members' information and knowledge and whether it is adequate for shareholder needs;
- assessment of the management processes supporting external reporting;
- procedures for the selection and appointment of the external auditor and for the rotation of external auditor engagement partners;
- recommendations for the appointment or, if necessary, the removal of the external auditor; and
- assessment of the performance and independence of external auditors. Where the external auditor provides non-audit services, the report should state whether the audit committee is satisfied that the provision of those services has not compromised the auditor's independence.

The report will include details of meeting agendas, papers and minutes of the Committee.

The Committee Chair will also, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors will be permitted, within the Board meeting, to request information of the Committee Chair or members of the Committee.

## 8. REVIEW

The Board will, at least once in each year review the membership and Charter of the Committee to ensure it remains consistent with the Board's objective and responsibilities.

## 9. CONTACT DETAILS

If you are in any doubt regarding this Standard, you should contact the Company Secretary at:

Independence Group NL, PO Box 496, South Perth, WA 6951

Phone: 08 9238 8300

Email: [contact@igo.com.au](mailto:contact@igo.com.au), Attention: the Company Secretary

## ATTACHMENT 1 - EXTERNAL AUDIT POLICY

### Appointment

The Audit Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) to recommend to the Board the appointment, reappointment or replacement of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

#### 1. Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff;
- the adequacy of resources to achieve the scope as outlined in the audit plan; and
- the value received from the external audit including comparing the final remuneration payable to the external auditor with the original estimate in the audit plan provided to IGO plus agreed variations.

The Committee will seek feedback from management during the assessment process.

#### 2. Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the directors approve the half-year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

### 3. Rotation of External Audit Engagement Partner

Subject to compliance with the Corporations Act, ASX Listing Rules and corporate governance best practice, the external audit engagement partner is required to rotate at least once every 5 years.