



Audit & Risk Management Committee Charter

Adacel Technologies Limited

ACN 079 672 281

(the Company)

Adopted by the Board on 21 November 2022

Audit & Risk Management Committee Charter

Adacel Technologies Limited (the Company)

1. Introduction

1.1 Purpose of Charter

This is the Charter of the Audit & Risk Management Committee (**Committee**) established by the board of the Company (**Charter**). The Charter governs the operations of the Committee. It sets out the Committee's role and responsibilities, composition, and membership requirements.

1.2 Purpose and Role of Committee

The Committee has been established to assist the Board of the Company (**Board**) in fulfilling its corporate governance and oversight responsibilities in relation to the financial reports, financial reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process of the Company and its subsidiaries (the **Group**). Accordingly, the Committee will meet on a regular basis to:

- (a) review and make a recommendation to the Board on the adoption of financial reports;
- (b) review and approve external audit plans;
- (c) review the independent audit process, including recommending the appointment and assessing the performance of the external auditor;
- (d) review the effectiveness of the Group's compliance and risk management functions;
- (e) review the effectiveness of the Group's process for monitoring compliance with law and regulations; and
- (f) Investigate material incidents reported under the Whistleblower Policy or the Code of Conduct.

In performing its duties, the Committee will maintain effective working relationships with the Board, management, and external auditors. To perform their role effectively, each Committee member must develop and maintain their skills and knowledge, including an understanding of the Committee's responsibilities.

The existence of the Committee does not diminish the Board's legal or other statutory obligations.

2. Membership

2.1 Composition of Committee

The Committee will:

- (a) comprise only of members of the Board of Directors (**Directors**) and members will be appointed and removed by the Board;
- (b) consist of, to the extent practicable given the size and composition of the Board from time to time:
 - (i) at least three members;
 - (ii) only non-executive directors;

- (iii) a majority of independent¹ directors (**Independent Directors**); and
- (iv) an independent² Chairperson, who will be nominated by the Board from time to time, but who will not be the Chairperson of the Board;
- (c) comprise members who are financially literate (as in, members who are able to read and understand financial statements); and
- (d) include at least one member who has accounting and/or related financial management expertise (as in, a member who is a qualified accountant or other financial professional with experience of financial and accounting matters) and some members who have an understanding of the industries in which the Group operates.

A member may act by their alternate.

While the Company will aim to have a Committee of at least the size and composition outlined above, this may not always be practicable given the size of the Board and the circumstances of the Group. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Committee from time to time.

2.2 Ceasing to be a member of the Committee

A person will cease to be a member of the Committee by Board resolution or if:

- (a) the person gives reasonable notice in writing to the Committee Chairperson of the person's resignation as a member of the Committee; or
- (b) the person ceases to be a Director, in which case the person automatically ceases to be a member of the Committee.

2.3 Secretary

- (a) The Committee will have a secretary, which is to be the Company Secretary or such other person as nominated by the Board (**Committee Secretary**).
- (b) The Committee Secretary will attend all Committee meetings.
- (c) The Committee Secretary, in conjunction with the Chairperson of the Committee, must prepare an agenda to be circulated to each Committee member at least 2 full working days prior to each meeting of the Committee.

3. Meetings & authority of Committee

3.1 Meetings

- (a) The Committee will meet often enough to undertake its role effectively, being at least two times each calendar year.
- (b) The quorum for any meeting will be 2 members.
- (c) Special meetings may be convened as required. The Chairperson will call a meeting of the Committee if requested to do so by any member of the Committee, by the external auditors or by the Chairperson of the Board.

¹ Independent, as defined by the ASX Corporate Governance Council. See schedule to this Charter.

² See note 1

- (d) The Committee may invite such other persons (for example, the CEO, CFO, other Group employees and external parties) to its meetings, as it deems necessary, whether on a permanent or ad hoc basis.
- (e) The proceedings of all meetings will be minuted.
- (f) The Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) for passing a written resolution of the Board.
- (g) Committee meetings may be held by any technological means allowing its members to participate in discussions even if not all of them are physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

3.2 Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- (a) investigate any matter brought to its attention with full access to all books, records and facilities;
- (b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties;
- (c) obtain external accounting, legal, insurance, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
- (d) ensure the attendance of Group officers at meetings as it thinks appropriate.

4. Duties and responsibilities

4.1 Understanding the Company's Business

The Committee will ensure it understands the Group's structure, business and internal controls to ensure that it can adequately assess the significant risks faced by the Group.

4.2 External financial and other reporting

The Committee is responsible for:

- (a) assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- (b) assessing any significant estimates or judgments in the financial reports
- (c) obtaining an independent judgement from the external auditor about the matters described in (a) and (b) above
- (d) assessing other information from external auditors that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);
- (e) reviewing any half-yearly and annual financial reports, draft audit opinion and management representation letters with management, advisers and the external auditor to assess (among other things):

- (i) the compliance of financial reports and the remuneration report with accounting standards and relevant laws; and
 - (ii) the nature and impact of any changes in accounting policies during the applicable period;
- (f) recommending for adoption by the Board financial reports; and
- (g) reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules and ASX Corporate Governance Principles and Recommendations.

4.3 External audit

The Committee is responsible for:

- (a) approving the terms of engagement with the external auditor each year including fees;
- (b) regularly reviewing with the external auditor:
 - (i) the scope of the external audit;
 - (ii) identified risk areas; and
 - (iii) any other agreed procedures;
- (c) approving and recommending to the Board for adoption, policies and procedures for appointing or removing an external auditor, including criteria for:
 - (i) technical and professional competency;
 - (ii) adequacy of resources; and
 - (iii) experience, integrity, objectivity and independence;
- (d) recommending to the Board for approval, the appointment or removal of an external auditor based on those policies and procedures referred to in paragraph (c);
- (e) reviewing and assessing on a regular basis the compliance of the external auditor with criteria referred to in paragraph **Error! Reference source not found.**;
- (f) regularly reviewing the effectiveness and independence of the external auditor taking into account:
 - (i) the length of appointment;
 - (ii) the last dates lead engagement partners were rotated;
 - (iii) an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services; and
 - (iv) any relationships with the Group or any other body or organisation that may impair or appear to impair the external auditor's independence;
- (g) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee;
- (h) approving the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;

- (i) receiving and reviewing the reports of the external auditor; and
- (j) meeting periodically with the external auditors and inviting them to attend Committee meetings to:
 - (i) consider the reports of the external auditor;
 - (ii) consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters; and
 - (iii) make recommendations to the Board;
- (k) asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved;
- (l) monitoring and reporting to the Board on management's response to the external auditor's findings and recommendations; and
- (m) reviewing all representation letters signed by management and ensuring information provided is complete and appropriate.

4.4 Risk management and internal control

The Committee is responsible for:

- (a) ensuring the overall adequacy and effectiveness of a risk management framework and management's implementation of the risk management framework
- (b) an adequate and effective methodology for identifying, assessing, monitoring and managing financial and non-financial risks including a risk register that describes the material risks to the Group's business;
- (c) overseeing adequate and effective internal control systems including accounting and financial controls and controls relating to non-financial risks and compliance with those controls; and
- (d) ensuring processes are in place to ensure that proper remedial action is undertaken to redress areas for improvement and oversee the timeliness of remediation actions.

4.5 Compliance with Laws and Regulations

The Committee will:

- (a) gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis;
- (b) review any legal matters which could significantly impact the Group's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports; and
- (c) review the effectiveness of the compliance function, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance.

4.6 Other responsibilities

The Committee is responsible for:

- (a) assessing and recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to directors' and officers' liability, company reimbursement, professional indemnity, crime, special accident and trustees' liability;
- (b) if it considers appropriate, investigating any complaint or allegation made to it including those reported through the Whistleblower policy; and
- (c) reviewing and monitoring any related party transaction and recommending its approval.

4.7 Committee performance

- (a) The Board will evaluate the performance of the Committee as appropriate.

5. Other matters

5.1 Amendment of Charter

This Charter can only be amended with the approval of the Board.

5.2 Adoption of Charter and periodic review

This Charter was last reviewed and adopted by the Board on 21 November 2022 and takes effect from that date and replaces any previous charter in this regard.

The Committee must review and reassess this Charter periodically and, on each occasion, obtain the approval of the Board to any amendments to the Charter. The Board will also review this Charter periodically.

The Company Secretary will communicate any amendments to the officers/senior management of the Company and the Chief Executive Officer will communicate these to other employees as appropriate.

Schedule

Independence as defined by the ASX Corporate Governance Council in their Corporate Governance Principles and Recommendations (4th edition)

An independent director is a non-executive director who is not a member of management, and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement and to act in the best interests of the Company and its security holders generally.

The corporate governance guidelines provide certain criteria for assessing the independence of directors and outline relationships which may affect independent status. They provide that when determining the independent status of a director the board should consider whether the director:

1. is, or has been, employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
2. receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the entity.
3. is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
4. is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder.
5. has close personal ties with any person who falls within any of the categories described above; or
6. has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised.

In each case, the materiality of the interest, position or relationship needs to be assessed by the board to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.