



Silex

## **Audit Committee Charter**

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Silex Systems Limited

ACN 003 372 067

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### 1. Applicability

The Audit Committee (Committee) is a committee of Silex Systems Limited (Silex) Board and this Charter applies to all members of the Committee.

### 2. Role

The principal role of the Audit Committee is to provide the Board, investors, owners and stakeholders with confidence that the financial reports for the Company represent a true and fair view of the Company's financial condition and operational results in all material respects, and are in accordance with relevant accounting standards.

The Audit Committee will:

- (i) Assist the Board in its oversight responsibilities by monitoring and advising on:
  - a) the integrity of the financial statements of the Company;
  - b) the Company's accounting policies and practices in accordance with current and emerging accounting standards;
  - c) the external auditors' independence and performance;
  - d) compliance with legal and regulatory requirements and policies in this regard;
  - e) compliance with policy framework in place from time to time;
  - f) internal controls and the overall efficiency and effectiveness of financial operations;
- (ii) Provide a forum for communication between the Board, executive leadership and external auditors; and
- (iii) Provide a conduit to the Board for external advice on audit and financial risk management.

### 3. Responsibilities

The Audit Committee will take responsibility for:

#### 3.1 Financial Reporting

- (i) Reviewing the current areas of greatest financial risk and how these are being managed in the business;
- (ii) Reviewing significant accounting and reporting issues, including recent professional and regulatory pronouncements and understanding their impact on the financial statements;

- (iii) Reviewing Management's process, policies and procedures for meeting the Company's continuous disclosure obligations;
- (iv) Overseeing the periodic financial reporting process implemented by managing and reviewing the interim financial statements and annual financial statements to determine whether they are complete, reflect appropriate accounting principles, contain appropriate disclosure and are consistent with the information known to Committee members. In discharge to this responsibility the Audit Committee is to:
  - a) Ensure accounting policies are consistently applied and any new accounting standards requirements, related to the Company, are appropriately reflected
  - b) Pay particular attention to complex and/or unusual transactions such as business combinations, restructuring charges and measurement and recognition of financial instruments
  - c) Focus on judgmental areas of the financial statements, for example those involving revenue recognition; valuation of assets and liabilities, warranty, product or environmental liabilities, and other commitments and contingencies
  - d) Meet with Management and the external auditors to review the financial statements and the results of the audit
  - e) Ensure that any significant adjustments, unadjusted differences, disagreements with Management and critical accounting policies and practices have been discussed with the external auditor;
- (v) Discussing with Management significant movements in the financial statements between periods and from budget and ensure that explanations are consistent with the Audit Committee's understanding of the business; and
- (vi) Reviewing, approving and monitoring the propriety of all related-party transactions.

### **3.2 Reporting to the Board**

The Audit Committee will:

- (i) Regularly update the Board about matters relevant to the Committee's role and responsibilities and make appropriate recommendations; and
- (ii) Ensure the Board is aware of matters that may significantly impact the financial condition or affairs of the business.

### 3.3 Risk Management

The Audit Committee will:

- (i) Articulate and formalise the Company's policy for the oversight and management of strategic and financial risks;
- (ii) Approve Management's overall strategic and financial risk management strategy for the Company and ensure the required actions are appropriately resourced;
- (iii) Ensure that the Company has identified, reviews and regularly updates the profile of the principal strategic and financial risks (including interest rate and exchange rate exposures) to which it is exposed and assess the appropriateness of the steps Management has taken to manage these risks; and
- (iv) Monitor performance of Management in implementing strategic and financial risk management responses and internal control rectification activities and ensure that there are appropriate systems for identifying and monitoring risks in place and that these are operating as intended.

### 3.4 Internal Control

The Audit Committee will:

- (i) Ensure any internal control recommendations made by the external auditors and approved by the Committee have been implemented by Management;
- (ii) Understand and be comfortable with the information system and processes used in developing financial statements;
- (iii) Evaluate the process the entity has in place for assessing the effectiveness and efficiency of and continuously improving internal controls, particularly those related to areas of significant risk; and
- (iv) Assess whether Management has appropriate controls in place for unusual types of transactions and/or any particular transactions that may carry more than an acceptable degree of risk.

### 3.5 Compliance with Laws and Regulations

Corporate laws and regulations are defined for these purposes as the Australian Stock Exchange Listing Rules, the Australian Corporations Law and its equivalent legislation in other jurisdictions in which the Company operates, Australian Accounting Standards and taxation law in all jurisdictions in which the Company operates.

The Audit Committee will:

- (i) Review the effectiveness of the system for monitoring compliance with corporate laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance;
- (ii) Obtain regular updates from Management and the Company's legal counsel regarding corporate compliance matters that may have a material impact on the Company's reputation or financial statements;
- (iii) Make appropriate enquiries to satisfy itself that all corporate regulatory compliance matters, related to the business of the Company, have been considered in the preparation of the financial statements; and
- (iv) Review the findings and recommendations of any examinations by corporate regulatory agencies

### **3.6 External Audit**

The Audit Committee will:

- (i) Review the external auditors' proposed audit scope and audit approach for the current year in light of the Company's circumstances and changes in regulatory and other requirements;
- (ii) Regularly review with the external auditor any audit problems or difficulties the auditor encountered in the normal course of audit work including any restriction on audit scope or access to information;
- (iii) Ensure significant findings and recommendations made by the external auditors are received and discussed on a timely basis;
- (iv) Ensure Management responds promptly to recommendations made by the external auditors;
- (v) Discuss with the external auditor the quality of accounting policies applied in the Company's financial reporting;
- (vi) Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately;
- (vii) Advise the Board on the appointment, independence, terms of engagement, performance and, if necessary, the termination/retirement of the external auditor;
- (viii) Ensure the Company has appropriate policies in place regarding the employment of audit firm personnel for senior positions after they have left the audit firm; and
- (ix) Review all representation letters signed by Management and ensure that the information provided is complete and appropriate.

### 3.7 Other

The Audit Committee will:

- (i) Ensure that the Audit Committee's responsibilities as set out in this Charter are appropriately reflected in the annual agenda for the Committee; and
- (ii) Oversee the information received and the action taken by the Company in relation to matters affecting the Company's audit, financial statements or internal controls and any instances of possible fraud raised by an internal whistle-blower or in relation to a complaint made by a third party.

## 4. Composition

- (i) The Board of Directors will nominate the Audit Committee members and the Chair of the Committee;
- (ii) The Chair of the Audit Committee is to be an independent, Non-Executive Director who is not Chair of the Board of Directors. The Chair of the Audit Committee will qualify as having accounting and/or related financial management expertise;
- (iii) The Audit Committee will be comprised of least three members and have no more than six members;
- (iv) The majority of Audit Committee members shall be independent, Non-Executive Directors;
- (v) Each member should be capable of making a valuable contribution to the Committee and have skills and experience appropriate to the Company's business;
- (vi) Each member shall:
  - a) be financially literate (able to read and understand financial statements);
  - b) have reasonable knowledge of the Company's own risks and controls; and
  - c) have relevant industry knowledge.

Members of an Audit Committee who do not have the requisite level of financial literacy and/or industry knowledge at the time of their appointment must undertake induction training and additional training within six months of membership, to raise their competency to the level described above.

- (vii) Members will be appointed for a three-year term of office and can be reappointed by the Board;
- (viii) The Secretary of the Audit Committee will be the Company Secretary, or such other person as nominated by the Board;

(ix) A quorum of any meeting will be a majority of the Committee at the date of the meeting. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee; and

(x) Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with legislative, accounting and other relevant issues.

Independence, as referred to in (ii) and (iv) above, is defined per the independence definition included in the ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition).

### **5. Meetings**

(i) Meetings shall be held no less than half yearly on pre-arranged dates and should be scheduled to correspond with the Company's financial reporting cycle;

(ii) The Audit Committee may invite such other persons (e.g. the CEO/Managing Director, Chief Financial Officer, legal counsel and external audit engagement partner) to its meetings, as it deems necessary;

(iii) The external auditors should be invited to make presentations to the Audit Committee as appropriate;

(iv) All directors will have access to Committee papers and have a standing invitation to attend any Audit Committee meetings;

(v) Special meetings may be convened by any member of the Committee as required. The external auditors may convene a meeting on request;

(vi) The notice of each meeting, the agenda and supporting documentation should be delivered to the Audit Committee members at least three working days in advance of each meeting;

(vii) Members of the Audit Committee should use their best endeavours to attend every meeting of the Committee;

(viii) The Committee is to meet with the external auditor in absence of Management on at least an annual basis;

(ix) Minutes:

a) The draft minutes of each Audit Committee meeting are to be approved by the Chair and circulated to all Committee members as soon as practicable but no later than the distribution date for papers for the next Audit Committee meeting at which the minutes of the meetings are to be confirmed;



- b) A copy of the draft Audit Committee minutes, once they have been approved by the Chair, will be included in the papers for the next board meeting;
- c) Minutes are not a verbatim recording of the meeting but accurately record the resolutions of the Committee, key reasons for those decisions (where appropriate) and actions arising;
- d) The minuted action statement from each Committee meeting is approved by the Chair and circulated to all Committee members as soon as practicable, but no less than 7 days, after each meeting.

### **6. Authority**

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

- (i) Perform activities within its Charter;
- (ii) Engage independent counsel and other advisors (including independent auditors, company tax and other financial or risk management advisors) as it deems necessary to carry out its duties, at the Company's expense;
- (iii) Require the attendance of Company Officers at meetings as appropriate;
- (iv) Have unrestricted access to members of Management, employees and information it considers relevant;
- (v) Establish and oversee procedures for dealing with concerns of employees regarding questionable accounting, internal control or auditing matters;
- (vi) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- (vii) Make recommendations to the Board on the appointment and retention of the external auditor; and
- (viii) Oversee the work and assess the performance and remuneration of the external auditors.

Although the Committee can seek the advice and assistance of any of the Company's executives, it needs to ensure that this role is clearly separated from its role within the business.

### **7. Performance**

The Audit Committee will:

- (i) Evaluate its own performance on an annual basis;
- (ii) May obtain feedback on the Committee's performance and operations from key people such as the external auditor and senior financial and other Management staff; and
- (iii) May obtain feedback from the Board of Directors on the effectiveness of the Committee.

### **8. Review**

The Audit Committee Charter will be reviewed regularly to ensure it meets best practice standards, complies with all governance principles of those stock exchanges on which it is listed and meets the requirements of Silex and the Board.