

APN | Property Group

APN Property Group Limited Audit and Risk Committee Charter

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Audit and Risk Committee Charter

1 Purpose of the Committee

- (a) The APN PG Board has established an Audit and Risk Committee (**Committee**). This Charter sets out the role and responsibilities of the Committee in relation to APN PG.
- (b) The existence of the Committee should not be seen as implying a fragmentation or diminution of the responsibilities of the APN PG Board.
- (c) The purpose of the Committee is to:

Audit

- (i) oversee the internal and external audit functions in respect of APN Group and review reports received from both internal and external auditors and the financial statements prepared on behalf of the entities within APN Group, in particular to consider whether such financial statements provide a true and fair view of the financial position and performance of APN PG;

Risk

- (ii) provide a mechanism to enable the Board to focus on risk management and internal control in respect of APN Group;
- (iii) develop and/or review and provide input into policies in respect of APN Group that clearly describe the roles and respective accountabilities of the board of APN PG, management and internal and external auditors, which should include the identification, assessment, monitoring and management of risks, including (without limitation) the following risks:
 - (A) strategic risks;
 - (B) legal and compliance risks;
 - (C) financial risks;
 - (D) operational risks; and
 - (E) reputational risks;
- (iv) review, at least annually, the effectiveness of APN Group's implementation of risk management, financial and corporate reporting systems, in particular reviewing the effectiveness of the systems to:
 - (A) identify, assesses, monitor and manage risks (including the risks identified in paragraph (b) above);
 - (B) identify, assesses, monitor and manage related party transactions, in particular transactions between entities within APN Group;
 - (C) inform investors of material changes to APN Group's financial and risk profile;

- (D) maintain high standards of management and financial reporting;
- (E) ensure effective audit functions and communications between the Board and auditors; and
- (F) enhance the environment for identifying and capitalising on opportunities to create value.

2 Membership of the Committee

2.1 Composition and term of appointment

- (a) The Committee will be comprised of a minimum of three Directors appointed by the Board.
- (b) The majority of the Committee must at all times be comprised of non-executive directors who are independent.¹
- (c) Members of the Committee will be appointed by the Board for a period of one year, or any other period determined by the Board. For the avoidance of doubt, no Committee member's reappointment will be regarded as being automatic.
- (d) The Board may appoint additional directors to the Committee, or remove and replace members of the Committee.
- (e) The duties and responsibilities of a member of the Committee shall be in addition to the directors' duties and responsibilities set out in the Board Charter.
- (f) All members of the Committee must be financially literate (i.e. able to understand financial statements).
- (g) The Committee must be comprised of members with the relevant experience as determined by the Board, provided that at least one member of the Committee has relevant financial qualifications and experience (i.e. a qualified accountant or other finance professional with experience in financial and accounting matters).

2.2 Annual report disclosure

The following material will be included in either the annual corporate governance statement or APN PG's annual report:

- (a) the names and qualifications of those directors appointed to the Committee;
- (b) the number of meetings held by the Committee in the relevant year;
- (c) details of each Committee member's attendance at meetings of the Committee; and
- (d) a summary of this Charter.

¹ Please refer to the APN PG Board Charter for information in relation to a director's 'independence'.

3 Responsibilities of the Committee

3.1 Audit

(a) External audit

In addition to the Committee's reporting obligations under clause 6.3 of this Charter, the Committee has the following specific responsibilities in respect of APN Group's external audit requirements:

- (i) to recommend to the Board the final financial statements in respect of APN Group;
- (ii) to recommend to the Board the appointment and removal of APN Group's external auditors (including providing the Board with fee proposals in relation to the external auditors);
- (iii) to monitor compliance with the *Corporations Act 2001* (Cth) in relation to auditor rotation;
- (iv) to undertake periodic reviews in order to monitor the effectiveness, objectivity, independence and overall performance of the external auditors (including the auditors' compliance with any applicable laws, regulations and any other relevant requirements);
- (v) to advise the Board as to whether the Committee is satisfied that the provision of non-audit services by the external auditors is compatible with the general standard of independence, together with an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the necessary statements required by the Corporations Act in APN Group's financial reports;
- (vi) to review, consider and advise the Board on the scope and adequacy of the audit plan proposed by the external auditors;
- (vii) to review all of the external auditors' reports;
- (viii) to commission such enquiry by the external auditors as the Committee deems appropriate;
- (ix) to consider management's responses to matters that arise from external audits;
- (x) to conduct regular reviews of management's activity pertaining to audit findings to ensure any issues are being dealt with in a timely manner; and
- (xi) where an internal audit function is exercised, oversee:
 - (A) the appointment of personnel to lead that audit; and
 - (B) the scope and adequacy of the work plan; and
 - (C) the independence, objectivity and overall performance of that function.

(b) Financial statements

The Committee has the following specific responsibilities in respect of the financial statements prepared on behalf of APN Group:

- (i) to review the financial statements and related notes, and ensure they are consistent with information known to the Committee and that they reflect appropriate accounting principles, standards and regulations;
- (ii) to review external auditors' reviews or audits of APN Group's financial statements and corresponding reports;
- (iii) to review accounting and reporting issues as they arise;
- (iv) to review, and advise the Board on, any disputes or issues that may arise during the course of an audit;
- (v) to advise the Board on any material matters that arise during an audit that the Committee becomes aware of; and
- (vi) to consider any significant changes required in the external auditor's audit plans.

3.2 Risk management

In addition to the Committee's reporting obligations under clause 6.3 of this Charter, the Committee has the following specific responsibilities in respect of its risk management function:

- (a) to monitor the management of financial and non-financial risks relevant to APN Group (including, but not limited to new risks that may emerge in relation to the APN Group);
- (b) to review and make recommendations to the Board regarding APN Group's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks) and whether it identifies all areas of potential risk and also ensures APN Group has in place:
 - (i) a procedure for identifying risks and controlling financial or other impacts on APN Group;
 - (ii) an adequate system of internal control, management of business risks and safeguarding of assets;
 - (iii) a system for reporting and investigating breaches of APN Group's compliance and risk management procedures and governance policies; and
 - (iv) a review of internal control systems and the operational effectiveness of the Governance Policies and procedures related to risk and control; and
- (c) to ensure that regular audits of the Governance Policies are conducted to monitor compliance; and
- (d) to oversee investigations of allegations of fraud or malfeasance and, where required, report details to relevant authorities.

4 The function of the Chairman

- (a) The chairman of the Committee (**Chairman**) will be an independent Director appointed by the APN PG Board and will not be the chairman of the APN PG Board.
- (b) In addition to the Chairman's responsibilities as a member of the Committee, the Chairman is responsible for:

- (i) leading the Committee in discharging its duties and responsibilities to the Board;
 - (ii) the efficient organisation and conduct of the Committee's function;
 - (iii) chairing Committee meetings and directing Committee discussions so that there is an effective use of time and that critical issues are discussed;
 - (iv) facilitating the effective contribution of all members of the Committee; and
 - (v) briefing all members of the Committee in relation to issues arising at meetings of the Committee.
- (c) The Chairman is required to commit sufficient time in order to properly discharge the role of chairman.
- (d) If the Chairman is absent from any meeting of the Committee, the members of the Committee present at the meeting shall choose one of the other members present to chair that particular meeting.

5 Committee meetings

- (a) The Committee should meet as often as is deemed necessary by the members of the Committee but, in any case, not less than two times per year.
- (b) The Chairman will call a meeting of the Committee if so requested by any member of the Committee, the external auditor or by the Chairman.
- (c) A quorum for Committee meetings is two members. Each member of the Committee has one vote.
- (d) Decisions of the Committee are decided by a majority of votes cast by members present and entitled to vote.
- (e) In the case of an equality of votes on a resolution at a Committee meeting, the Chairman will have a second or casting vote on that resolution in addition to any vote the Chairman has in his or her capacity as a member of the Committee in respect of that resolution, other than in the case where there are only two members competent to vote on the resolution at issue.
- (f) The Committee will appoint a person as Secretary of the Committee.
- (g) The external auditor will be entitled to attend all meetings of the Committee, however the external auditor is not entitled to vote on resolutions and will not be counted in determining whether a quorum is present.
- (h) The proceedings of all Committee meetings are to be minuted. Minutes of all Committee meetings are to be circulated to members and approved by the members within one month of the Committee meeting being held. The approved minutes must be signed by the chair of the meeting and a record kept with APN PG's board papers.

6 Authority and reporting

6.1 Committee's authority

- (a) The Committee will have authority to investigate any activity within its terms of reference or any matters specifically requested by the Board.
- (b) The Committee will be authorised by the Board to obtain outside legal or other independent professional advice as reasonably necessary.

6.2 Reporting lines to the Committee

- (a) The external auditor and other members of the management team will report to the Committee as required.
- (b) The Committee will have a direct line of access to the Board and shall meet at least annually with representatives of the Board to discuss the effectiveness of the Committee's functions.
- (c) The Board will ensure that the Committee has unrestricted access to all records and employees (including internal audit employees) and the external auditors (including by way of interview, where appropriate) in respect of APN Group in order to conduct its inquiries.

6.3 Reporting obligations of the Committee

- (a) The Committee will immediately report to the Board any matters that are brought to its attention which it considers are significant breaches of APN PG's risk management, audit or compliance policies.
- (b) A copy of the minutes of each Committee meeting is to be provided to the APN PG Board, together with any other reports prepared by the Committee.
- (c) In accordance with the Listing Rules, the Committee will ensure that the annual report or corporate governance statement of APN PG discloses the extent to which APN PG has followed the Recommendations during the reporting period. In particular:
 - (i) where APN PG has not followed all of the Recommendations, the Committee must ensure that the annual report identifies those Recommendations that have not been followed and discloses APN PG's reasons for not following them; and
 - (ii) if a Recommendation had been followed by APN PG for only part of the period, the Committee must ensure that the annual report discloses the period during which the Recommendation had been followed.

7 Review of Charter

The Committee will review this Charter from time to time to ensure it remains consistent with the Committee's objectives and responsibilities. Any changes to the Charter must be approved by the Board.

8 Definitions

In this Charter, unless the context otherwise requires:

APN FM means APN Funds Management Limited in its personal capacity, but **not** in its capacity as responsible entity of any trusts or funds (unless this Charter provides otherwise).

APN Group means APN PG and any of its controlled or related entities (which includes APN FM and APN RE).

APN PG means APN Property Group Limited.

APN RE means APN RE Limited in its personal capacity, but **not** in its capacity as responsible entity of the APD Trust.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange.

Board means the board of directors of APN PG.

Charter means this charter adopted by the Committee.

Committee means this Audit and Risk Committee.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of APN PG.

Listing Rules means the listing rules of ASX.

Recommendations means ASX Corporate Governance Principles and Recommendations in effect from time to time.

Secretary means the company secretary of APN PG.