

Clarius Group Limited

BOARD AUDIT RISK AND COMPLIANCE COMMITTEE

TERMS OF REFERENCE

The Board of Directors (**Board**) of Clarius Group Limited (**CND**) has constituted the Board Audit Risk and Compliance Committee (**BARCC**) which is to operate in accordance with these terms of reference.

1. Objectives

1.1 The objectives of the BARCC are to assist the Board:

- a) safeguard the integrity in financial reporting;
- b) make timely and balanced disclosure; and
- c) recognise and manage risk.

2. Operation

2.1 The role of the BARCC is not an executive role.

2.2 The BARCC may seek any information or obtain any independent professional advice it considers necessary to fulfill its responsibilities with any associated costs to be borne by CND.

2.3 The BARCC is entitled to have access to and meet with the auditors, employees within CND and any external advisors without executives or management of CND being present.

2.4 All employees shall have the right (and be made aware of the right) to raise matters confidentially with any member of the Committee and shall be protected by the Board against any unfair treatment as a consequence of such raising of legitimate matters.

3. Responsibilities

The responsibilities of the BARCC include the following:

3.1 External Financial Reporting

3.1.1 Review and recommend to the Board CND's accounting policies and principles and any changes to them.

- 3.1.2 Review and recommend significant estimates and judgements in the financial reports.
- 3.1.3 Monitor and review compliance with related party disclosures required by Accounting Standards and the Corporations Act.
- 3.1.4 Assess information from the auditors that may affect the quality of financial reports.
- 3.1.5 Review half-yearly and annual financial reports with management, advisers and auditors as appropriate.
- 3.1.6 Recommend for adoption by the Board interim and final financial reports and the annual report.
- 3.1.7 Review the integrity of CND's written policies and procedures designed to ensure continuous disclosure and accurate financial reporting and make recommendations to the Board thereon.

3.2 Related Party Transactions

Review, monitor and recommend for approval by the Board (as appropriate) all related party transactions.

3.3 Internal Control and Risk Management

- 3.3.1 Review and recommend to the Board for adoption policies and procedures on risk oversight and management so as to establish an effective and efficient system for:
 - a) identifying, assessing, monitoring and managing risk;
 - b) ensuring accountability at a senior management level for risk oversight and management; and
 - c) ensuring appropriate disclosure.
- 3.3.2 With the assistance of the Risk Committee, review CND's risk profile ensuring a regular update including an assessment and prioritisation of risks.
- 3.3.3 Overview the effectiveness of CND's risk management and internal compliance and control systems.
- 3.3.4 Monitor and review processes and procedures including the policies and function of the Risk Committee, for ensuring compliance with laws, regulations and other requirements relating to the external reporting by CND of financial and non-financial information.

3.4 External Audit

- 3.4.1 Review and recommend to the Board acceptance of the terms of engagement with the external auditor at the beginning of each year.
- 3.4.2 Make recommendations to the Board on the remuneration of the external auditor.
- 3.4.3 Review and recommend to the Board for adoption policies and procedures in relation to the appointment or removal of an external auditor.
- 3.4.4 Ensure appropriate policies exist for the provision of all non-audit services by the external auditor or a related party of the external auditor and regularly review the application of those policies.
- 3.4.5 Monitor and evaluate on a regular basis the performance of the external auditor.
- 3.4.6 Monitor and evaluate on a regular basis the independence of the external auditor.

3.5 Insurance

Recommend to the Board for adoption the scope, cover and cost of the insurance program for CND and its subsidiaries.

4. Composition

- 4.1 The BARCC will comprise:
 - a) at least three directors;
 - b) the BARCC will comprise a majority of non-executive directors;
 - c) a majority of independent directors; and
 - d) an independent chairperson, who is not chairperson of the Board.
- 4.2 The BARCC will be of an appropriate size, independence and technical expertise to effectively discharge its mandate. Each member of the BARCC will be able to read and understand financial statements and at least one member will be a qualified accountant or other financial professional with experience of financial and accounting matters.
- 4.3 Appointments, rotations and resignations within the BARCC shall be decided by the Board having regard to the provisions of the ASX Listing Rules and the Corporations Act 2001 (Cth).
- 4.4 Committee members may appoint an alternate, who may not be a Director, with the approval of the Board.

5. Meetings

- 5.1 The BARCC will appoint a chairperson and the Company Secretary will act as secretary.
- 5.2 The BARCC may invite such other persons to attend BARCC meetings as it regards appropriate.
- 5.3 The BARCC will hold meetings every six months or otherwise, as it may consider necessary, and in any event not less than twice each year.
- 5.4 A quorum will comprise two BARCC members.
- 5.5 The BARCC will keep minutes of its meetings.
- 5.6 The BARCC may pass or approve resolutions of the BARCC by circular resolution by adopting the procedures (so far as they are appropriate) set out in section 248A of the Corporations Act 2001 (Cwlth).
- 5.7 The contemporaneous linking together by telephone or other electronic means of a sufficient number of members to constitute a quorum constitutes a meeting of the Committee.

6. Reporting to the Board

- 6.1 The chairperson will communicate the findings of the BARCC to the Board after each BARCC meeting. To the extent practicable, copies of the minutes of each BARCC meeting will be included in the papers for the next full Board meeting after each meeting of the BARCC.
- 6.2 Minutes shall be distributed to all BARCC members, after the preliminary approval has been given by the BARCC Chairman. Minutes, agenda and supporting papers shall be made available to any Director upon request to the Secretary, providing no conflict of interest exists.

7. Amending the Terms of Reference

- 7.1 The BARCC shall review its Terms of Reference annually or otherwise as it considers necessary.
- 7.2 These Terms of Reference may be amended at any time and from time to time by a resolution of the Board of Directors of CND.

Annexure A

Clarius Group Limited Board Audit, Risk & Compliance Committee

Policy for Auditor Independence – Provision of Non-Audit related services by the External Auditor

1. Introduction/Objective

- 1.1. The CND Board Audit, Risk & Compliance Committee (“the Committee”) is responsible for reviewing and recommending to the Board the appointment terms of engagement, remuneration and removal of the external auditor.
- 1.2. The Committee will also monitor and evaluate on a regular basis the independence of the external auditor.
- 1.3. The Committee accepts that independence requires a freedom from bias, personal interest, prior commitment to an interest or susceptibility to undue influence or pressure as stated in the Australian Statement of Auditors Practice AUP-32-Audit Independence.
- 1.4. The Committee also recognises that CND not be disadvantaged by arbitrary rules that might preclude the auditor from providing non-audit services that it is qualified to do, while maintaining a position of independence, on terms acceptable to CND. For many services, the depth of the external auditors insight into and understanding of CND’s business and industry could enhance the quality of the service and reduce costs. In other cases the external auditor may have a natural advantage in a particular topic or skill which makes the use of their services particularly desirable.
- 1.5. CND’s Management and the Committee are best placed to work with the external auditor in an open and frank manner to ensure independence standards are met, including deciding in the interests of shareholders whether a particular service should be provided by the external auditor or by another service provider.
- 1.6. The purpose of this policy is to establish guidelines to ensure that CND complies with applicable laws, accounting standards, the Committee’s terms of reference and best practice with regard to the independence of external auditors.

2. Fundamental Principles of Independence

- 2.1. In order for the external auditor to be eligible to undertake any non-audit services assignment, the external auditor must not as a result of the assignment:
 - a) create a mutual or conflicting interest with CND

- b) audit their own work
- c) act in a management capacity or as an employee
- d) act as an advocate for CND

3. **Compliance with Legislative and Professional Obligations**

3.1. The external auditor must remain independent of the Company at all times and comply with the auditor independence requirements of the Corporations Act 2001 and Professional Statement F.1.

4. **Specifically Prohibited Services**

4.1. No work will be approved, and the external auditor will not provide the following services:

- a) bookkeeping or services relating to accounting records which form the source of the financial report
- b) actuarial valuations of outstanding claims and policy liabilities
- c) appraisals, valuations and fairness opinions where the subject of the opinion is likely to be a material component of the financial report and is based on significant subjectivity
- d) executive recruitment or extensive human resource functions
- e) operating financial information systems
- f) secondment of senior staff to act in a management capacity.

5. **Approval Process**

5.1. Any individual engagement for non-audit services involving fees exceeding, or estimated to exceed, \$25,000 must be reviewed and approved by the Committee before the engagement commences.

5.2. No work will be awarded to the external auditor if the Committee believes such work will give rise to a 'self review threat' (as defined in Professional Statement F.1)

5.3. No work will be awarded if the Committee believes such work would create a conflict or perceived conflict of interest for the auditor or any member of the audit team.

5.4. If, in the view of the Committee, the level of fees for non-audit services being provided by the external auditor is of a magnitude that, in the Committee's opinion could impair, or be perceived to impair the auditor's independence, the Committee may, from time to time impose a restriction (in addition to any other restriction required by this policy) on non-audit work being awarded to the external auditor.

6. Monitoring

6.1. Management shall provide the Committee with quarterly reports of non-audit assignments assumed and fees incurred, together with comparative information for prior years.

6.2. The non-audit services will be classified into three categories:

- a) services that are normally performed by the external auditors
- b) services that are commercially sensible for the external auditors to perform
- c) services that could be performed by any suitably qualified firm, as defined in the Definitions section.

6.3. The external auditor will provide the Committee with an annual certification of their continued independence, and in particular confirm that they have not carried out any engagements during the year that would impair their professional independence as auditor, as contemplated by Professional Statement F1.

6.4. A statement will be included in CND's Annual Report disclosing the fees paid to the external auditor for the non-audit services undertaken.

6.5. A statement will also be included in the Annual Report as to whether the Committee is satisfied that the provision of non-audit services is compatible with auditor independence.

7. Other Matters of Independence

7.1. CND will require the external auditor to rotate the senior audit partner and the audit review partner for CND every five years with suitable succession planning to ensure consistency.

7.2. CND will require a partner of its external auditor to attend its Annual General Meeting and be available to answer reasonable questions from shareholders about the conduct of the audit or the Audit Report of the Company. CND will ensure that shareholders are given a reasonable opportunity at the Annual General Meeting to ask such questions.

- 7.3. No former partner of the external auditor who was directly involved in an audit of CND may be appointed as a director of CND or take a position with a CND during the two year period following the former partner's resignation from the external auditor.

8. Definitions

Audit and audit related services

Audit services comprise audit and review engagements undertaken pursuant to the Corporations Act 2001, other legislative and regulatory requirements which require review or audit, and sundry assurance opinions.

Non-audit services

Non-audit services comprise all other engagements including, but not limited to:

- a) *services that are normally performed by the external auditors* – accounting & regulatory advice, risk assessments & control design, tax compliance, benchmarking assistance
- b) *services that are commercially sensible for the external auditors to perform* – due
- c) diligence, tax consulting and planning, compliance risk management, strategy advice, business analysis, specialised internal audit assignments, secondments, IT security assessments, IT advisory services, immaterial or non-financial report related valuations, project management or project management assurance, investigative or forensic accounting
- d) *services that could be performed by any suitably qualified firm* – IT systems design and/or implementation, strategic change management, outsourcing whole internal audit function.