

# Audit and Risk Management Committee Policy – GPS Alliance Holdings Limited ACN 163 013 947

## 1. Introduction

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The primary objective of risk management is to ensure that the Company appropriately manages its business and operating risks. This promotes stakeholder confidence in dealing with or investing in the Company.

The Board:

- (a) recognises that effective management of risk is an integral part of good management and vital to the continued growth and success of the Company;
- (b) is responsible for the oversight of the risk management and control framework of the Company including the development of risk profiles as a part of the overall business and strategic planning process; and
- (c) has implemented a policy framework to ensure that the risks of the Company and its related bodies corporate are identified, analysed, evaluated, monitored and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

## 2. Definitions

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General terms and abbreviations used in this Policy are defined as follows.

**ASX** means ASX Limited or the securities market operated by the ASX, as the case may be;

**Board** means the board of Directors of the Company;

**CEO** means the chief executive officer of the Company;

**CFO** means the chief financial officer (as appropriate) of the Company;

**Chairman** means the chairman of the Committee;

**Committee** means the Audit and Risk Management Committee;

**Company** means GPS Alliance Holdings Pty Ltd ACN 163 013 947;

**Corporations Act** means *Corporations Act 2001* (Cth);

**Corporations Regulations** means *Corporations Regulations 2001* (Cth);

**Director** means a director of the Company;

**Listing Rules** means the listing rules of the ASX;

**Policy** means this Audit and Risk Management Committee Policy; and

**Secretary** means the company secretary of the Company.

## 3. Scope

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This Policy is applicable to the Company's related bodies corporate and all levels within the organisation.

## **4. Role and objectives**

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The primary role of the Committee is to assist the Board by monitoring and reviewing the effectiveness of the controlled environment of the Company in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting. The Committee reports to the Board on these matters and the effectiveness of the Committee is monitored by the Board.

The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by the Company and that is to be provided to members and/or filed with regulators, including:

- (a) overseeing the Company's discharge of its responsibilities with respect to:
  - (i) the financial statements, financial report and annual report;
  - (ii) legal/regulatory compliance;
  - (iii) protection of capital; and
  - (iv) risk management systems,
- (b) overseeing the Company's relationship with external auditors; and
- (c) determining the independence of the external auditors and the policy for audit partner rotation.

The Committee is also responsible for:

- (a) the review of the Company's risk management program; and
- (b) ensuring that areas of risk have been identified and that the appropriate internal controls have been implemented and are operating efficiently in all material respects.

The Committee will meet and receive regular reports from its external auditors concerning matters that arise in connection with their audit. The Committee is also responsible for review of the auditor's performance and the process for nomination of the external auditors.

## **5. Accountability of Board**

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The Board has ultimate responsibility for overseeing the performance of the Company, including monitoring of risk management and internal control systems.

## **6. Membership**

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### **6.1 Composition**

- (a) The Committee will comprise at least three Directors. However if the Company is included in the S&P/ASX 300 Index at the beginning of its financial year in any year, the Committee will consist of:
  - (i) only non-executive Directors;
  - (ii) a majority of independent directors; and
  - (iii) at least three members,for the duration of the financial year.

- (b) If the Company is included in the S&P/ASX 300 Index, membership of the Committee will be reviewed periodically and re-appointment to the Committee will not be automatic. Appointments and resignations will be decided by the Board.
- (c) All members of the Committee must be able to read and understand financial statements and reports.
- (d) The Chairman may not be the chairman of the Board and must be independent.
- (e) The Chairman must have leadership experience and a strong finance, accounting or business background.
- (f) The external auditors, Secretary and CFO (or equivalent) and other senior executives, may be invited to Committee meetings at the discretion of the Committee.

## 6.2 Chairman

- (a) The Chairman is appointed by the Board. If for a particular Committee meeting, the Chairman is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chairman for that meeting.
- (b) If the Company is included in the S&P/ASX 300 Index at the beginning of its financial year in any year, the Chairman will be an independent non-executive director who is not the chairman of the Board.

## 6.3 Secretary

The Secretary is the secretary of the Committee.

## 7. Appointment of external auditor

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An external audit partner is to be permanently engaged by the Company to provide shareholder and investor confidence in the integrity of the Company's financial reports. The Company requires the external audit partner to maintain independence from the Company in accordance with the Corporations Act and this Policy.

Each year, the Company and the auditors should document the terms of the auditor's engagement and present them to the Committee for approval. Terms of engagement must include:

- (a) confirmation of the audit firm's continuing independence and the continuing independence of the senior audit partner;
- (b) a requirement for the audit partner to be present at the AGM for the purpose of answering shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The agenda for the AGM must include a note informing shareholders of their right to put questions to the auditor;
- (c) ready access of the audit partner to the Committee via the Chairman;
- (d) a requirement for the auditor to provide the Committee with a full and complete report on the audit, with a copy to be presented to management.

On the completion of the year end audit, the Committee is to receive a copy of the audit closing report which clearly documents any potential issues in the financial statements.

## **8. Responsibilities**

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To fulfil its responsibilities and duties, the Committee will:

### **(a) Financial reporting processes**

- (i) review and discuss with management and the external auditor the half-yearly and annual financial reports including notes to the financial accounts and other disclosures and whether the financial reports should be approved;
- (ii) review the Company's accounting and financial reporting practices, including the effect of changes in accounting standards and practices, the effect of significant judgements or estimates made by management, the appropriateness of assumptions used to support carrying values of assets, ASX listing requirements and corporate legislation. This includes discussing with management and the external auditor the application of those practices and standards to the Company's financial reports;
- (iii) review and discuss with the external audit firm its report regarding significant findings in the conduct of the audit and management's response to those findings;
- (iv) discuss with management and the external auditor any major issues relating to the system of internal controls over financial information; and
- (v) satisfy itself that the declarations provided by the CEO and the CFO (or equivalent) in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks;

### **(b) Oversight of External Auditor**

- (i) review the appointment and, if necessary and subject to shareholder approval, the removal of the external auditor;
- (ii) review and approve the terms of engagement of, and the fees payable to, the external auditor;
- (iii) review the annual audit plan with the external auditor and approve the plan and the quantum of audit fees;
- (iv) review and discuss with the external auditor any matters relating to the conduct of the audit including responses from management, the appropriateness of the Company's accounting policies, and the reasonableness of management estimates and judgements;
- (v) receive and review quarterly reports on non-audit services to determine compliance with the Board's policy on maintaining the independence of the external auditor;
- (vi) review annually the Board's policy on maintaining independence of the external auditor and recommend any changes if necessary; and
- (vii) review the performance of the external auditor having regard to the skills and capabilities of the lead external audit staff;

### **(c) Risk Management**

- (i) review the Company's risk management policy and framework for identifying, assessing, monitoring and managing risk;

- (ii) regularly review and update the Company's risk profile;
  - (iii) monitor the effectiveness of the risk management framework and the system of internal control. As part of monitoring and assessing the effectiveness of the system of internal control, regularly receive and review reports on material risk and the operation of internal controls in place to mitigate those risks;
  - (iv) monitor the effectiveness of the Company's business continuity policies and procedures;
  - (v) undertake a strategic risk assessment workshop with senior managers to reassess the Company's material risks and determine whether the current controls are adequate and effective;
  - (vi) review at least annually the Company's implementation of the risk management policy and framework; and
  - (vii) review the adequacy of the Company's insurance policies, including the terms of annual policy renewals and the creditworthiness and claims payment histories of the Company's principal insurers; and
- (d) **Legislative Compliance**
- (i) monitor the development and ongoing review of appropriate legislative compliance policies and programmes where applicable;
  - (ii) receive, review and discuss with management regular reports on legislative compliance; and
  - (iii) monitor progress in responding to enquiries from regulatory authorities.

## **9. Meetings and procedures**

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It is intended that the Committee will meet at least three times each year, or as often as the Committee members deem necessary in order to fulfil their role and objectives set out in this Policy.

At each of the Board meetings, the CEO, CFO (or equivalent) and Secretary are required to provide assurance to the Board as to the effectiveness of the systems in place for the management of the material risks.

Except as set out in this Policy, the Committee is subject to the Board's general policy for engaging or seeking advice from financial and legal advisers.

The Secretary will attend all Committee meetings and minute the meetings. 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 Secretary will distribute supporting papers for each meeting of the Committee as far in advance as possible.

The Company will disclose in the corporate governance section of each Annual Report the frequency of the Committee meetings, the names of members of the Committee and their attendance at meetings of the Committee.

## **10. Reporting**

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It is intended that a report of the actions of the Committee will be included in the Board papers for the Board meeting immediately following completion of that report.

## **11. Compliance with disclosure obligations**

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The Committee will review all reporting by the Company of its audit and risk policies and practices to ensure that the Company meets its disclosure obligations as required under the Listing Rules and the Corporations Act.

## **12. Committee's performance evaluation**

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The Committee will review its performance from time to time and whenever there are major changes to the management structure of the Company. The performance evaluation will have regard to the extent to which the Company has met its responsibilities as stated in this Policy.

## **13. Approval**

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This Policy was approved by the board on 10 May 2013. The Board may change this Policy by resolution.

## **14. Disclosure of Policy**

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This Policy will be made available, and updated as required, on the Company's website ([www.gpsalliance.com.au](http://www.gpsalliance.com.au)) in a clearly marked "Corporate Governance" section.