



# **AUDIT, RISK AND COMPLIANCE COMMITTEE CHARTER**

**Hills Limited**

ABN 35 007 573 417

<b>Policy Name</b>	Audit, Risk and Compliance Committee Charter
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<b>Approval Authority</b>	Board of Directors
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<b>Distribution Level</b>	All officers, employees and agents of Hills Group

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# 1 Purpose

## 1.1 Purpose

The purpose of the *Audit, Risk and Compliance Committee Charter* is to:

- (a) specify the authority delegated to the Audit, Risk and Compliance Committee (**Committee**) by the Board of Directors (**Board**) of Hills Limited (**Hills**); and
- (b) set out the role, responsibilities, membership and operation of the Committee.

## 1.2 Authority

The Committee is a committee of the Board, established pursuant to Article 11.6 of the Hills constitution and authorised by the Board to assist in fulfilling its statutory, fiduciary and regulatory responsibilities.

It has the authority and power to exercise the role and responsibilities set out in this charter and granted to it under any separate resolution of the Board from time to time.

The Committee is accountable to the Board for its performance.

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# 2 Role of the Committee

The role of the Committee is to assist the Board in carrying out its accounting, auditing and corporate reporting responsibilities including oversight of the:

- (a) integrity of the company's external corporate reporting and financial statements;
- (b) adequacy of Hills processes for managing risk;
- (c) Hills insurance program, having regard to Hills businesses and the insurable risks associated with its business;
- (d) internal control framework, ensuring that appropriate processes are in place to support the framework and periodically assessing its effectiveness;
- (e) monitoring procedures in place to ensure compliance with statutory responsibilities and other external reporting requirements;
- (f) implementation and monitoring of the tax risk management strategy;
- (g) performance of internal audit or alternative, as appropriate;
- (h) performance of the external auditor; and
- (i) undertaking such other tasks as nominated by the Board.

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## 3 Responsibilities of the Committee

### 3.1 Corporate Reporting

The Committee is responsible for:

- (a) reviewing the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports;
- (b) receiving from management and the external auditor a prompt analysis of significant corporate reporting issues and practices and reviewing such analyses and understanding their impact on the financial statements;
- (c) evaluating, reviewing and recommending to the Board for approval the draft financial statements and other related information proposed to be released via the Australian Securities Exchange (**ASX**) to shareholders and to the financial community in accordance with the half-yearly and annual reporting cycle;
- (d) reviewing financial information, press releases, analyst presentations, disclosure releases to the ASX and the process by which management controls the release of such information to the ASX;
- (e) reviewing any significant matters arising from the audit, management judgments and accounting estimates, significant changes to Hills' auditing and accounting principles, controls, procedures and practices with management and the external auditor;
- (f) reviewing with the external auditor and management the appropriateness of critical accounting policies and practices adopted, and any changes to them;
- (g) reviewing and confirming the adequacy of the Chief Executive Officer and the Chief Financial Officer's respective declarations pursuant to Section 295A of the *Corporations Act 2001* with respect to the annual reports;
- (h) ensuring the financial statements include disclosure covering governance issues in accordance with the requirements of the regulators; and
- (i) reviewing the opinion the external auditor proposes to provide.

### 3.2 Risk Management and Internal Control

The Committee is to oversee and ensure that appropriate processes are in place regarding:

- (a) Hills' risk management framework;
- (b) the identification and assessment of the material risks facing Hills considered against Hills' risk appetite;
- (c) the effectiveness of Hills' internal control systems, including IT security and control;
- (d) the systems and procedures for compliance with applicable legal and regulatory requirements, including WH&S;
- (e) the appropriate level of reporting on the performance and application of the risk management system throughout Hills;

- (f) the review of Hills insurance program at least annually, having regard to Hills business and the insurable risk associated with Hills businesses; and
- (g) whether Hills has any material exposure to economic, environmental and social sustainability risks, and how any such risks are managed. Where appropriate the Committee will make a recommendation to the Board as to the appropriate disclosure in the operating and financial review of the financial statements.

### 3.3 External Auditor

The Committee's duties with respect to the external auditor are to:

- (a) manage, on behalf of the Board, the relationship between Hills and the external auditor including resolving any disagreements between the external auditor and management and, if deemed appropriate, meeting privately with the external auditor;
- (b) evaluate the expertise and experience of potential auditors;
- (c) determine the terms of engagement, remuneration (including fees charged for audit and review services), and re-tendering criteria for the external audit engagement and make recommendations to the Board;
- (d) undertake an annual review and evaluation of the external auditor's independence in accordance with established guidelines, as to, objectivity, effectiveness and performance, and the extent of compliance with the agreed annual audit plan and report to the Board thereon;
- (e) determine categories of non-audit services that may be provided by the external auditor in the context of all consulting services bought by Hills and review and ensure disclosure to shareholders with the Committee's approval of all non-audit services provided by the external auditor in accordance with established guidelines;
- (f) review and provide oversight of audit reports prepared and issued by the external auditor on Hills' financial statements and activities;
- (g) consider and review reports prepared by the external auditor on critical accounting policies, other relevant written communication between the external auditor and Management and ensure that any significant findings and recommendations are received, discussed and acted on promptly;
- (h) monitor and review any restrictions being placed on the external auditor regarding audit scope, access to management or access to information;
- (i) monitor and review the rotational arrangements of the external auditor's engagement and review partners; and
- (j) ensure that the lead auditor attends and participates at the Hills Annual General Meeting as necessary.

### 3.4 Internal Audit

The Committee is to make recommendations to the Board on Hills' internal audit function including:

- (a) whether an internal audit function is required and, if not, how the Board is satisfied that appropriate systems of internal control exist;

the appointment, remuneration, independence and competence of Hills' internal auditor;

- (b) the scope and adequacy of the annual internal audit plan; and
- (c) management's responses to the internal auditor's findings and recommendations.

The Committee shall have the power to instruct the internal auditor. The internal auditor shall report to the Chairman of the Committee or as directed by the Chairman of the Board.

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## 4 Composition of Committee

### 4.1 Membership

The Committee will comprise of at least three members of whom all must be non-executive directors and a majority of whom are independent directors.

Members will be determined by the Board and may be changed at the discretion of the Board.

### 4.2 Chairman

The Chairman of the Committee is appointed by the Board and must be an independent non-executive Director who is not the Chairman of the Board.

Should the Chairman of the Committee be absent from any meeting of the Committee, the members of the Committee present at that meeting shall appoint one of their members to be Chairman of that meeting.

### 4.3 Technical Expertise

The Committee must be structured so all its members are financially literate and at least one member has the relevant qualifications and experience (a qualified accountant or financial professional with experience of financial and accounting matters), and some members have an understanding of the industry in which Hills operates.

### 4.4 Skills Development

If the Chairman of the Board pre-approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at Hills' expense.

### 4.5 Committee Responsibilities

The Committee is responsible for reviewing and monitoring the propriety of related party transactions and the adequacy of their disclosure in corporate reports.

### 4.6 Secretary

The Company Secretary of Hills is the secretary of the Committee.

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## 5 Meetings & Committee Process

### 5.1 Meetings

Meetings and proceedings of the Committee are governed by the provisions of Hills' constitution.

## 5.2 Frequency

The Committee shall meet as frequently as required to undertake its role and responsibilities effectively.

Any Committee member or secretary of the Committee may call a meeting of the Committee.

In addition, the secretary may convene a meeting of the Committee on request from the internal auditor or the external auditors if they consider it necessary.

## 5.3 Quorum and Voting

A quorum will comprise of any two independent non-executive director committee members.

Each member shall have one vote.

The Chairman of the Committee shall not have a second or casting vote.

## 5.4 Agenda

The Committee shall develop and agree an annual program to fulfil its responsibilities.

The Chairman of the Committee, with the assistance of the secretary of the Committee, will develop the agenda for each meeting on the basis of the annual program and any other matters deemed to be relevant to that particular meeting.

## 5.5 Attendance

In addition to the members of the Committee, such executives and/or external parties as the Chairman and members of the Committee think fit may be invited to attend Committee meetings.

Other non-executive Directors of the Board are also entitled to attend committee meetings.

The Committee must meet as a committee on its own and with the internal auditor and the external auditor at least once a year without management being present.

## 5.6 Access to Information and Advisors

The Committee has the authority to:

- (a) require management (or others) to attend meetings and to provide any information or advice that the Committee requires;
- (b) access Hills' documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts;
- (d) access management, internal and external auditors; and
- (e) request the internal auditor to undertake specific activities and report back to the Committee.



## 5.7 Report to the Board

The Committee will regularly update the Board about committee activities and make appropriate recommendations. The Chairman of the Committee will report to the Board, at the Board meeting next following a meeting of the Committee, on any matters under consideration by it.

## 5.8 Minutes

Minutes of proceedings and resolutions of the Committee shall be kept by the secretary of the Committee.

Minutes shall be distributed to all Committee members and the Board, after preliminary approval has been given by the Chairman of the Committee.

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## 6 Review of Charter

The Committee will review its charter from time to time and make recommendations to the Board as to any changes it considers should be made.

The charter may only be amended by resolution of the Board.

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## 7 Who to Contact

Any questions relating to the interpretation of this charter should be forwarded to the Company Secretary.

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## 8 Published

A copy of this Charter is available <http://www.corporate.hills.com.au>.