



Audit and Risk Management Committee Charter

Bapcor Limited ABN 80 153 199 912

Adopted by the Board on 31 March 2014

Reviewed and amended by the Board on 19 May 2017

Bapcor Limited Audit and Risk Management Committee Charter

1 Role of the Audit and Risk Management Committee and its Authority

- (a) The Audit and Risk Management Committee (**Committee**) assists the board (**Board**) of Bapcor Limited (**Bapcor**) in fulfilling its responsibilities for corporate governance and oversight of Bapcor's financial reporting, internal control structure, risk management systems and internal and external audit functions. In doing so, the Committee has the responsibility to maintain free and open communication with the internal and external auditor and Bapcor's management.
- (b) The Committee is empowered to investigate any matter, with full access to all books, records, company operations, and people of Bapcor and the authority to engage independent accounting, legal, compliance, risk management or other professional advisers as it determines necessary to carry out its duties.
- (c) The Committee is a committee of the Board established in accordance with Bapcor's constitution (**Constitution**) and authorised by the Board to assist it in fulfilling its statutory 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 resolutions of the Board from time to time.

2 Membership

- (a) The Committee should to the extent practicable given the size and composition of the Board from time to time, comprise of:
 - (i) at least three members;
 - (ii) non-executive directors; and
 - (iii) a majority of directors who are independent (and it must satisfy this description if required by statute or regulation).
- (b) All Committee members should be financially literate (ie able to read and understand financial statements).
- (c) The chair of the Committee (**Committee Chair**) should be an independent non-executive director who does not chair the Board (and must satisfy this description if required by statute or regulation).
- (d) All Committee members should have a reasonable understanding of Bapcor's business and the industry in which it participates.
- (e) Committee members will be appointed for a fixed period of no more than three years, with Committee members generally being eligible for re-appointment for so long as the Committee will meet the relevant criteria established in paragraph (a) above.
- (f) The appointment and removal of Committee members is the responsibility of the Board.
- (g) A Committee member may resign as a member of the Committee upon reasonable notice in writing to the Committee Chair.
- (h) If a Committee member ceases to be a director of the Board, their appointment as a member of the Committee is automatically terminated with immediate effect.
- (i) The company secretary of Bapcor is secretary to the Committee.

3 Meetings

- (a) The Committee will meet at least two times annually or as frequently as is required to undertake its role effectively.
- (b) The Committee will meet in private with both of Bapcor's Chief Financial Officer and external auditor at least once each year and at other times as considered appropriate.
- (c) Any Committee member may, and the company secretary must upon request from any member, convene a meeting of the Committee.
- (d) The Committee may invite any executive director, executive, other staff member or internal or external auditor to attend all or part of a meeting of the Committee. There is an open invitation for all other non-executive directors to attend a meeting of the Committee.
- (e) The proceedings of all meetings will be minuted by the company secretary. All minutes of the Committee are available for inspection by any director.
- (f) A quorum for any meeting will be at least two Committee members.

4 Duties and Responsibilities

- (a) The Committee's key responsibilities and functions are to assist the Board in discharging its responsibilities:
 - (i) to oversee the establishment of and approving Bapcor's risk management strategy policies, procedures and systems;
 - (ii) to review and monitor the effectiveness of Bapcor's risk management policies, procedures and systems;
 - (iii) to prepare and present Bapcor's financial statements and reports;
 - (iv) in relation to Bapcor's financial reporting, which, without limitation, includes:
 - (A) reviewing the suitability of Bapcor's accounting policies and principles, how they are applied and ensuring they are used in accordance with the statutory financial reporting framework;
 - (B) assessing significant estimates and judgements in financial reports;
 - (C) assessing information from the internal and external auditor to ensure the quality of financial reports; and
 - (D) recommending to the Board whether the financial and associated non-financial statements should be signed based on the Committee's assessment of them.
 - (v) in relation to the entry into, approval or disclosure of related party transactions (if any);
 - (vi) in overseeing Bapcor's financial controls and systems; and
 - (vii) to manage audit arrangements and auditor independence.

5 Reporting

- (a) The Committee will:
- (i) regularly report to the Board on all matters relevant to the Committee's role and responsibilities;
 - (ii) advise the Board in a timely manner of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon Bapcor;
 - (iii) report and, as appropriate, make recommendations to the Board after each Committee meeting on matters dealt with by the Committee; and
 - (iv) as and when appropriate, seek direction and guidance from the Board on audit, risk management and compliance matters.
- (b) Minutes of Committee meetings will be included in the papers for the next full Board meeting.
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6 Preparation and Presentation of Financial Statements and Reports

The Committee will:

- (a) after review with management and the external auditor, recommend to the Board the half year and full year financial statements, the preliminary financial reports to be lodged with ASX and all related financial reports and statements;
 - (b) review representation letters to be signed by management to ensure that all relevant matters are addressed;
 - (c) discuss matters raised by the external auditor as a result of their work;
 - (d) assess the impact of changes in accounting standards and review recommendations for adoption of such changes in the financial accounts; and
 - (e) ensure that appropriate processes are in place to form the basis upon which the Chief Executive Officer and Chief Financial Officer execute their certifications under section 295A of the *Corporations Act 2001* (Cth) (**Corporations Act**) to the Board at financial year end in relation to the systems of internal controls, and that that system is operating effectively in all material respects in relation to financial reporting risks.
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7 Financial Controls and Systems, Risk Management Policy, Procedures and Systems

- (a) The Committee will oversee the effectiveness of Bapcor's financial controls and systems, oversee the risk management function (as detailed below) and evaluate the structure and adequacy of the group's insurance coverage periodically.
 - (b) The risks faced by Bapcor may include regulatory and compliance risk, investment risk, legal risk, economic risk, environmental risk, social sustainability risk, occupational health and safety risk, financial risk, reputation risk, operational and execution risk and strategic risk.
 - (c) Responsibility for risk management is shared across the organisation. Key responsibilities include:
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- (i) the Board is responsible for overseeing the establishment of and approving the risk management strategy and policies of Bapcor, and monitoring the risk procedures and systems of Bapcor;
 - (ii) Bapcor management is responsible for establishing Bapcor's risk management framework, including identifying major or potentially major risk areas and developing Bapcor's policies and procedures, which are designed effectively to identify, treat, monitor, report and manage key business risks;
 - (iii) the Board has delegated to the Committee responsibility for:
 - (A) identifying major or potentially major risk areas;
 - (B) reviewing and monitoring Bapcor's risk management framework to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. In addition, the Committee should undertake a review of Bapcor's risk management framework with management (at least once annually) to satisfy itself that Bapcor's risk management framework continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain with the risk appetite set by the Board;
 - (C) considering Bapcor's approach to occupational health and safety, economic, environmental and social sustainability risks, including the benchmarks Bapcor uses to measure performance on issues of sustainability and their achievements against those benchmarks;
 - (D) ensuring that risk considerations are incorporated into strategic and business planning;
 - (E) providing risk management updates to the Board and any supplementary information required to provide the Board with confidence that key risks are being appropriately managed;
 - (F) reviewing reports from management concerning compliance with key laws, regulations, licences and standards which Bapcor is required to satisfy to operate;
 - (G) overseeing tax compliance and tax risk management; and
 - (H) reviewing any significant findings of any examinations by regulatory agencies.
 - (iv) The Chief Executive Officer and Chief Financial Officer are to provide to the Board declarations in accordance with section 295A of the Corporations Act.
 - (v) Each employee and contractor is expected to understand and manage the risks within their responsibility and boundaries of authority when making decisions and undertaking day to day activities.
- (d) Reporting is an important part of the risk management function:
- (i) It is the responsibility of the Committee to report to the Board about Bapcor's adherence to policies and guidelines approved by the Board for the management of risks.
 - (ii) The Chief Executive Officer and Chief Financial Officer are each responsible for reporting to the Committee any proposed changes to the risk management framework and to that committee and to the Board any exposures or breaches of key policies or incidence of risks, where significant.

- (e) Risk issues will be identified, analysed and ranked in a consistent manner. Bapcor will deal with risks in the following way:
 - (i) identify the nature of the risk;
 - (ii) determine the seriousness of such risk, and who the risk is to be reported to;
 - (iii) develop a risk mitigation plan;
 - (iv) implement the risk mitigation plan; and
 - (v) monitor and report progress of risk mitigation plan.

8 External Audit

- (a) The Committee:
 - (i) is responsible for making recommendations to the Board on the appointment, reappointment or replacement (subject to shareholder ratification, as required), remuneration, monitoring of the effectiveness, and independence of the external auditor;
 - (ii) will discuss annually with the external auditor the overall scope of the external audit;
 - (iii) must pre-approve all audit and non-audit services provided by the external auditor (other than taxation services) and will not engage the external auditor to perform any non-audit or assurance services that may impair or appear to impair the external auditor's judgment or independence in respect of Bapcor. The Committee may delegate a pre-approval dollar limit to the Chief Financial Officer and authority to a member of the Committee to pre-approve amounts in excess of this between Committee meetings;
 - (iv) will advise the Board on statements to be made in the directors' report regarding non-audit services in accordance with the Corporations Act;
 - (v) will annually request from the external auditor a report which sets out all relationships that may affect its independence; and
 - (vi) will review the procedures for selection and appointment of the external auditors and rotation of external audit engagement partner.

9 Internal Audit

The Committee will:

- (a) be responsible for the establishment of an internal audit function (if and when considered by the Committee to be necessary or desirable) and the appointment and removal of the head of any such internal audit function; and
- (b) after an internal audit function is established:
 - (i) review the internal auditor's charter and resources to ensure no unjustified restrictions or limitations are imposed upon internal audit staff and that resourcing is adequate;
 - (ii) consider and discuss the scope and adequacy of the internal audit with the internal auditor, including the internal audit plan, work program and quality control procedures;
 - (iii) be responsible for approving and updating internal audit plans; and

- (iv) consider the objectivity and performance of the internal audit function.
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10 Communication

The Committee is to establish policies and procedures for dealing with complaints received by Bapcor (including receipt, retention, and effective treatment of these complaints) regarding accounting, internal accounting controls, or auditing matters, and submissions by employees of Bapcor, including anonymous submissions, of concerns regarding questionable accounting or auditing matters. All such employee submissions shall be treated as confidential. The Committee shall receive corporate legal reports of evidence of any material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty.

11 Committee Performance

- (a) The Board will, at least once in each year, review the membership and Charter of the Committee to determine their respective adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.
- (b) The Committee shall make an evaluation of its performance at least once every two years to determine whether it is functioning effectively by reference to current best practice.