

AUDIT AND RISK COMMITTEE CHARTER

1. PURPOSE

1.1 The Board of McGrath Limited (**McGrath** or the **Company**) has constituted this Audit and Risk Committee (**Committee**) to assist the Board in fulfilling the Board's oversight responsibilities in respect of financial reporting, risk management, compliance and associated controls. The Committee will:

- a) review the financial reporting process and exercise oversight over the compliance of the financial statements with the requirements of the Corporations Act and any other mandatory professional reporting requirements, statutory reporting requirements, making informed decisions regarding accounting and regulatory policies, judgements, practices and disclosures;
- b) review the scope and results of internal audit reviews and external audits;
- c) assess the effectiveness of the Company's system of internal controls;
- d) assess the effectiveness of the Company's internal audit functions in carrying out the responsibilities of their charters; and
- e) focus appropriate attention on the risk management framework of the Company and the management of financial and non-financial risks.

2. AUTHORITY

2.1 The Board authorises the Committee to:

- a) engage independent legal advice and other advisors, as it deems necessary, to carry out its duties in accordance with the Company's policies for engagement of external advisory services;
- b) have unrestricted access to management, employees and all relevant Company information;
- c) recommend to the Board the appointment, compensation and retention of the external auditors and oversee their work;
- d) approve all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditor and when required the framework for pre-approval of such services;
- e) establish procedures for the receipt, retention and proper investigation and handling of complaints received by the Company regarding accounting, internal controls, auditing or risk related matters; and
- f) recommend changes to existing policies where necessary to improve financial reporting, internal controls and risk management.

3. MEMBERSHIP

3.1 The Committee will consist of:

- a) only non-executive Directors;
- b) a minimum of 3 members;
- c) a majority of independent Directors; and
- d) a Committee Chair, who is an independent director and not Chair of the Board.

- 3.2 Members should be financially literate and the Committee Chair should have significant and relevant finance experience.
- 3.3 The Committee Chair will preside at meetings of the Audit and Risk Committee. If the Committee Chair is not present at a Committee meeting, the members must elect another member to act as Committee Chair for that meeting.
- 3.4 The role of the Committee Chair is to:
- a) determine the agenda for meetings of the Committee in conjunction with the Committee Secretary (as defined below in section 4.4);
 - b) chair meetings of the Committee and take reasonable steps for the proper functioning of the Committee, including the proper conduct of meetings and an appropriate level of discussion;
 - c) take reasonable steps regarding the adequate flow of relevant information to the Committee;
 - d) take reasonable steps to advise the Board on the Committee's recommendations to the Board on matters falling within the scope of the Committee's responsibilities;
 - e) review the minutes of meetings of the Committee for circulation to and approval of the Committee and sign the approved minutes; and
 - f) act under a delegation of the Committee, including liaising on behalf of the Committee with consultants advising the Committee.

4. MEETINGS

4.1 Frequency of meetings

- a) The Committee will meet as often as the Committee members deem necessary in order to fulfil its role. However, it is intended that the Committee will normally meet at least four times a year.
- b) In addition, the Committee Chair is required to call a Committee meeting if requested to do so by:
 - any Committee member;
 - the Chief Executive Officer (**CEO**);
 - the Chief Operating Officer (**COO**);
 - the Chief Financial Officer (**CFO**); or
 - any other Director.

4.2 Attendance by non-members

- a) All Directors may attend Committee meetings. The CEO, the COO and CFO of the Company will normally be invited to attend Committee meetings at the invitation of the Committee but will have no voting rights. They will not attend closed sessions of the Committee held by the directors only, or with the external and internal auditors.
- b) Members of management and/or parties external to the Company may be invited to attend any Committee meeting or part thereof subject to the invitee not having a material personal interest in the matter of the Committee being considered. Non-members of the Committee may be asked to withdraw from all or any part of a meeting.

4.3 Meetings other than in person

Where deemed appropriate by the Committee Chair, meetings may occur via conference call or other electronic means and approvals and recommendations may occur via written resolution.

4.4 Secretary

- a) The Company Secretary (or delegate as approved by the Committee) will act as Secretary of the Committee and shall be responsible, in conjunction with the Committee Chair, for drawing up the agenda (supported by explanatory documentation and papers) and circulating the Committee papers to Committee members prior to each meeting. Directors may request papers for or from any meeting and will be notified in advance of the agenda of forthcoming meetings.
- b) The Committee Secretary will also be responsible for keeping the minutes of meetings of the Committee (except when the Committee is in closed session) and circulating them to the Committee Chair for review, the other Committee members, other Board members and other Committee meeting attendees as appropriate.

4.5 Quorum

A quorum shall consist of at least two members.

5. DUTIES AND RESPONSIBILITIES - AUDIT

The Committee has the following duties and responsibilities in respect of audit matters.

5.1 External Audit

- (a) Recommend to the Board the appointment and removal of the external auditors. This will include periodic reviews of the external auditor.
- (b) Review, consider and advise the Board on:
 - (i) the external auditor's annual plan;
 - (ii) the fees proposed by the external auditor, including whether an effective, comprehensive and complete audit can be conducted for the fee; and
 - (iii) the annual review of the qualification, expertise, resources and performance of the external auditor.
- (c) Confirm that there have been no unjustified restrictions or limitations placed on the external auditor.
- (d) Monitor the effectiveness, objectivity, and independence of the external auditors. This may include obtaining statements from the external auditors on relationships between them and the Company.
- (e) Review the scope and terms of the engagement for the external audit to establish that they are adequate, placing emphasis on areas where the Board, the Committee, management and/or the external auditors consider special emphasis is necessary.
- (f) Approve and monitor the Company's policy in relation to the provision of non-audit services by the external auditor to avoid impairing the external auditor's independence or objectivity.

5.2 Financial Statements

- (a) Review with management and in conjunction with the external auditor at the completion of the half yearly review and the annual audit, and advise and make recommendations to the Board on:
 - (i) the Company's financial statements and related notes (and adoption thereof);
 - (ii) the external auditor's audit or review of the financial statements and the report thereon;
 - (iii) any significant changes required in the external auditor's audit plan, including new or proposed accounting practices, principles or developments, disclosure requirements and legislative or regulatory pronouncements and its effect on the external auditor's audit plan;
 - (iv) any serious difficulties or disputes with management encountered during the course of the audit or review; and
 - (v) other matters related to the conduct of the audit or review which are communicated to the Committee.
- (b) Review the significant accounting and financial reporting issues and judgements, including complex or unusual transactions made in connection with the preparation of the Company's financial statements, interim reports, preliminary announcements and related formal statements. Review the disclosures in the financial statements. Review recent regulatory and professional pronouncements and understand their impact on the financial statements, as advised by the CFO.
- (c) Review the Company's financial statements and consider whether they are consistent with information known to Committee members and reflect appropriate accounting principles, standards and regulation.

5.3 Internal controls

- a) Evaluate whether management is embedding a "risk and control culture" by communicating the importance of internal controls and risk management policies to all employees and other relevant parties.
- b) Understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- c) Consider and review with the external and internal auditor:
 - (i) the adequacy of the Company's internal controls in the context of the external and internal audit work undertaken;
 - (ii) the adequacy of the Company's financial regulatory reporting to corporate regulators as appropriate, including its view on the quality and acceptability of the Company's accounting principles and policies; and
 - (iii) any related significant findings and recommendations of the external auditor and management's response thereto.
- d) Consider and review with management and the CFO:
 - (i) any matters that might have a significant impact on the financial condition or affairs of the Company;
 - (ii) the adequacy of the process for reporting and responding to significant control weaknesses including the adequacy and results of management's investigation and follow up and whether there are unresolved issues as reported by the external auditor and the internal audit;

- (iii) the adequacy of the Company's internal controls through reviewing the scope and results of the internal audit;
 - (iv) any difficulties encountered in the course of reviews, including any restrictions on the scope of the work or access to required information;
 - (v) any instances of significant internal and external fraudulent activity identified and responses thereto; and
 - (vi) the findings of any auditor observations.
- e) Monitor and review:
- (i) the effectiveness of the internal audit function in forming an independent assessment as to whether risks have been properly identified, whether adequate controls are in place to manage these and whether controls are working effectively; and
 - (ii) the degree of independence of the internal audit function including being independent of the external auditor.
- f) Approve the scope of the internal audit.
- g) Provide oversight in regard to the following for the internal audit:
- (i) progress against annual audit and time allocation;
 - (ii) changes required in the planned scope of the annual audit; and
 - (iii) structure, resourcing and the use of external consultants.
- h) Receive and review all significant correspondence relevant to financial reporting and the preparation of the financial statements received by the Company including material communication with regulators.
- i) Review any other reports the Company issues that relate to Committee responsibilities.
- j) Meet privately with the following persons or parties at least annually in separate sessions to discuss any matters that the Committee or these parties believe should be discussed privately with the Committee:
- (i) CFO;
 - (ii) the external auditors; and
 - (iii) the internal auditors.

5.4 Other responsibilities

To perform or undertake on behalf of the Board any such other tasks, investigations or actions as the Board may from time to time authorise.

5.5 Complaint handling

Review and consider the resolution of complaints regarding accounting, internal accounting controls or auditing matters from employees and the process to protect such employees making complaints.

6. DUTIES AND RESPONSIBILITIES - RISK

6.1 The Committee has the following duties and responsibilities in respect of risk matters:

- (a) Review and endorse the Company's risk management framework and significant variations to it, including overseeing its effectiveness, with a view specifically to enable the timely and effective identification of material financial and non-financial risks to the Company.

- (b) Receive reports from management that identify, evaluate, manage and mitigate significant risks that may affect the achievement of the Company's business objectives including new and emerging sources of risk.
- (c) Review the framework and methodology for identifying, evaluating, managing, mitigating and reporting business risks.
- (d) Monitor compliance with the Company's risk management policy and the statement of risk appetite approved by the Board
- (e) Receive and review reports concerning the appropriateness of the risk management framework and approve or vary it as necessary
- (f) Review and make recommendations to the Board on the Company's overall risk profile and risk appetite as well as the Company's risk profile in each risk area of market, liquidity, equity, credit, regulatory operational and compliance with the Company's policies. There should also be a review of:
 - (i) developments in technologies and markets in which the Company operates;
 - (ii) the appropriate level of insurance cover that the Company should maintain, including the terms and conditions of any such insurances as well as any recommended insured and un-insured risk parameters; and
 - (iii) experience of profits and losses in each risk category to provide confidence that the Company's policy reflects and is consistent with experience.
- (g) Review and make recommendations to the Board on the Company's capital management plan including information on the Group's capital adequacy and economic capital model.
- (h) Review and approve risk matters requiring Board approval including significant variations to policies, limits and delegations of authority where these have not been reviewed by the Board.
- (i) Review limit and policy breaches to the extent that there are implications for the risk management framework.
- (j) Assess the risk management framework against the expectations of corporate regulators.

6.2 Operational Risks

- a) Oversee the development and implementation of the Company's business continuity, disaster recovery, pandemic and emergency management plans.
- b) Oversee management's control framework to manage and mitigate cyber security and data protection risks.

7. PERIODIC REVIEW

7.1 The Committee has the responsibility to:

- (a) review this Committee Charter as required or at least biennially and recommend any proposed changes to the Board for approval; and
- (b) conduct a periodic, but at least biennial, evaluation of the Committee's performance and the extent to which the Committee has met this Committee Charter.

8. ACCESS

- 8.1 The Committee shall have free and unfettered access to all personnel and other parties (internal and external), including the external auditors and legal advice.
- 8.2 Committee members may seek independent professional advice for company related matters at the Company's expense, subject to the estimated costs being approved by the Board Chair, in advance, as being reasonable.

9. REPORTING

- 9.1 The Committee, through the Committee Chair, is to advise and make recommendations to the Board on matters falling within the scope of its responsibilities. Such advice may be in the form of minutes of its meetings, supporting papers, or written or oral reports at Board meetings.
- 9.2 Regularly update the Board on ARC activities and make appropriate recommendations.
- 9.3 Keep the Board informed of matters which may significantly impact the financial condition of business or its financial accounts, including key matters of judgement.
- 9.4 Escalate any issue of significant non-compliance or fraud to the Board.