

# Audit and Risk Committee Charter

## 1. Purpose

- 1.1 This charter sets out the composition, role, responsibilities and administration of the Audit and Risk Committee (“Committee”) of VDM Group Limited (“VDM” or “Company”) within the governance structure of VDM and its wholly owned entities (“VDM Group”).
- 1.2 The Committee has been established by the board of directors (“Board”) of VDM in accordance with clause 7 of the Company’s Board Charter.
- 1.3 The Committee plays a key role in the overview of responsibilities of the Board relating to financial reporting, risk management, internal controls framework, corporate governance and external and internal audit processes.
- 1.4 This charter is only a summary of the matters reserved to the Committee and should therefore only be used as a general guide which is not to be used in a legal capacity.

## 2. Membership

- 2.1 The Board has determined that the Committee, where practicable, shall comprise at least three directors. The Board, however, recognises that this may not be practicable at all times given its size and composition.
- 2.2 The Committee members shall possess the appropriate skills and experience to enable the Committee to meet its purpose.
- 2.3 The Committee shall have a chairperson appointed by the Board. The chairperson shall not be the chairperson of the Board and shall be an independent director.
- 2.4 The appointment of new members of the Committee shall be approved by the Board.
- 2.5 The chief executive officer, the chief financial officer and any other executive or any other individual may attend meetings of the Committee at the invitation of the Committee chairperson, but are not members of the Committee.
- 2.6 The chairperson of the Board may attend meetings, ex officio.
- 2.7 It is intended that all members of the Committee shall have familiarity with financial management and at least one Committee member shall have expertise in financial accounting and reporting.

## 3. Role

- 3.1 The role of the Committee is as follows:
  - a) Primary
    - i. To assist the Board in fulfilling its overview of the external and internal audit processes.
    - ii. To assist the Board in overseeing financial reporting.

- iii. To assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established.
  - iv. To assist the Board in its processes of risk management and in monitoring compliance with corporate policies, the code of conduct and corporate governance and risk management policies generally.
- b) Specific
- i. To review and recommend the adoption of the financial statements, half-yearly and annually to the Board. Such reviews shall focus on the circumstances and processes surrounding the preparation of the financial statements and the process of the external audit.
  - ii. To liaise with the external auditors in all matters concerning the conduct and outcome of all internal audits of the VDM Group.
  - iii. To regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of VDM Group.
  - iv. To monitor compliance with corporate policies, the code of conduct and corporate governance and risk management policies generally.
  - v. To prepare a statement for inclusion in the annual report that describes the Committee's composition, activities and responsibilities which complies with reporting disclosure requirements.

## **4. Responsibilities and Functions**

### **4.1 Financial reporting**

- a) To assist the Board in determining the reliability, integrity and appropriateness of accounting policies, financial reporting and disclosure practices.
- b) To monitor compliance with applicable accounting standards and other requirements relating to the preparation and presentation of financial results.
- c) To assess the adequacy and clarity of presentation of financial information to shareholders
- d) To review financial reports and to recommend to the Board their adoption, taking into account the assurances from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is operating effectively in all material respects in relation to the financial reporting risks.
- e) To assess the appropriateness of significant accounting policies.
- f) To review compliance with accounting standards.
- g) To review management's process for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting by the Company of financial and non-financial information.
- h) To consider all significant accounting policy, valuation and reporting changes before consideration by the Board.

### **4.2 External auditors**

- a) To nominate the external auditor to the Board and to approve the terms of the contract with the external auditor including the audit fees and the nature and quantum of non-audit services provided by the external auditor.
- b) To evaluate the performance and independence of the external auditors.

- c) To review and approve the annual audit plan.
- d) To ensure that the partner managing the audit for the external auditor is changed within a period of five years, commencing from the date of initial listing of the Company.
- e) To ensure the independence, authority and effectiveness of the external auditor and to maintain open lines of communication between the auditor and the Board.
- f) To ensure the Committee has unfettered access to the external auditor and to be entitled to meet with the auditor without management present.
- g) To require the external auditor to:
- h) Submit a formal written statement delineating all responsibilities and work completed by the auditor.
- i) Report to the Committee on any significant issue raised with management.
- j) Prepare any report or other disclosures to be included in the Company's annual report or other communications with shareholders on the relationship between the external auditors and the Company.

### **4.3 Risk**

- a) To review and make recommendations on the strategic direction, objectives and effectiveness of VDM's risk management policies.
- b) To ensure that a comprehensive process is established by the Company's management to capture issues for the purposes of continuous reporting to the Australian Securities Exchange.
- c) To review management's processes for monitoring and ensuring compliance with laws, regulations and other requirements relating to the external reporting by the Company of financial and non-financial information.
- d) To review the adequacy of existing policies such as the Market Disclosure Policy and the Securities Dealing Policy and to comply with these policies and to identify areas which require policy development.
- e) To oversee investigations of allegations of conflict of interest, fraud, whistleblower protection or malfeasance.

## **5. Administration and Reporting**

- 5.1 The Committee shall meet at least four times a year as follows:
  - a) Immediately prior to the release of the full-year financial statements.
  - b) Immediately prior to the release of the half-yearly financial statements.
  - c) On at least two other occasions during the year.
- 5.2 A notice of each meeting confirming the date, time and venue together with the agenda and Committee papers shall be forwarded to each member of the Committee at least three working days prior to the date of the meeting.
- 5.3 The Committee shall appoint a secretary who shall attend all Committee meetings and record minutes as minute secretary. All minutes of the Committee, when approved and signed by the Committee chairperson and tabled at the next following meeting of the Board, shall be entered into a minute book maintained for that purpose and shall be open at all times for inspection by any director.

- 5.4 A quorum shall comprise any two Committee members. In the absence of the Committee chairperson or appointed delegate, the members shall elect one of their number as chairperson for that meeting.
- 5.5 The Committee may, with the prior approval of the Board, instruct the chief executive officer to engage independent advisors in relation to any matter pertaining to the responsibilities of the Committee.
- 5.6 The Committee shall report to the Board annually, in writing, on all matters relevant to the performance of its role and the discharge of its duties during the period, having regard to ASX Corporate Governance Council Recommendation 4.4.

## **6. Review of Charter**

- 6.1 This charter shall be reviewed by the Committee on a regular basis and a report provided to the Board, if required, recommending any necessary amendment or additional duties and responsibilities.