
AUDIT AND RISK COMMITTEE CHARTER

1. ROLE

The role of the Audit and Risk Committee ('the Committee') is to assist the Board of Directors ('the Board') of The Environmental Group Limited ('the Company') in monitoring and reviewing matters affecting financial reporting, risk and compliance. This Charter defines the Audit and Risk Committee's function, composition, mode of operation, authority and responsibilities.

2. COMPOSITION

- (a) The Committee must comprise at least three members.
- (b) All members of the Committee must be non-executive Directors.
- (c) A majority of the members of the Committee should be independent non-executive Directors in accordance with the criteria set out in Annexure A.
- (d) The Board will appoint members of the Committee by resolution. The Board may remove and replace members of the Committee by resolution. Members of the Committee may withdraw from membership by written notification to the Board.
- (e) All members of the Committee must be able to read and understand financial statements.
- (f) The Chair of the Committee must not be the Chair of the Board of Directors and must be independent.
- (g) The members of the Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee's responsibilities effectively. The Chair shall have leadership experience and a strong finance, accounting or business background.
- (h) All Directors have a standing invitation to attend Committee meetings and have access to Committee packs, subject to conflicts.
- (i) The Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer and the Company Secretary have a standing invitation to attend Committee meetings.
- (j) The external auditors, and senior executives, may be invited to Committee meetings at the discretion of the Chair of the Committee.

3. PURPOSE

The primary purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- (a) the quality and integrity of the Company's financial statements, accounting policies and financial reporting and disclosure practices;
- (b) the Company's financial controls and systems;
- (c) the effectiveness and adequacy of the Company's corporate reporting processes and internal control framework;



- (d) the performance of the Company's external auditors and their appointment and removal;
- (e) the independence of the external auditor and the rotation of the lead engagement partner;
- (f) the identification and management of financial and non-financial risks including business, economic, environmental and social sustainability risks; and
- (g) the review of the Company's risk management framework at least annually to satisfy itself that it continues to be sound and to determine whether there have been any changes in the material business risks the Company faces and to ensure that they remain within the risk appetite set by the Board.
- (h) the compliance with all applicable laws, regulations and Company policy.

A secondary function of the Committee is to perform such special reviews or investigations as the Board may consider necessary.

4. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

4.1 Review of Financial Reports

- (a) Review the appropriateness of the accounting judgements, choices and principles adopted by Management in preparing the Company's financial reports, including significant changes in the selection or application of accounting principles.
- (b) Review the integrity of the Company's financial and corporate reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those reports and processes. This includes reviewing the process to verify the integrity of any periodic corporate report the Company releases to the market that is not audited or reviewed by the external auditor.
- (c) Review the Company's financial statements for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company, as a basis for recommendation to and adoption by the Board.
- (d) Receive and review reports of the external audit of the Company's financial statements.
- (e) Assess whether external reporting is adequate for shareholder needs.
- (f) Establish procedures for treatment of regulatory queries.
- (g) Ensure that, before the Board approves the Company's financial statements for a financial period, the Chief Executive Officer and Chief Financial Officer (or, if none, the person(s) fulfilling those functions) have declared that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.2 Relationship with External Auditors

- (a) Review the procedures for the selection and appointment (including the termination of an engagement), compensation, the terms of engagement and other contractual terms of the external auditors.



- (b) Review performance, succession plans and rotation of lead engagement partner.
- (c) Review the performance, independence and objectivity of the external auditors annually.
- (d) Approve the external audit plan including the scope and adequacy of the external audit, and ensure that any key risk areas for the Company are incorporated into the audit plan.
- (e) Approve the external auditor's fees proposed for audit work and non-audit work to be performed.
- (f) Review the effectiveness of the annual audits, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary.
- (g) Review the external auditor's report regarding the Company's financial statements and significant findings in the conduct of the audit, including the adequacy of Management's response, and monitor whether any issues are being managed and rectified in an appropriate and timely manner. The Committee will discuss any necessary recommendations to the Board for the approval of Half Yearly or Annual Reports.
- (h) Review the adequacy of accounting and financial controls together with the implementation of any agreed recommendations of the external auditor, and monitor Management's response including whether any issues are being managed and rectified in an appropriate and timely manner.
- (i) Meet with the external auditors at least twice in each financial period without Management being present and at any other time the Committee considers appropriate, and discuss with them matters relating to the conduct of the audit, including the timeliness of its reporting, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, significant disagreements with Management (if any) and adequacy of Management's response..
- (j) Review any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor.
- (k) Ensure adequate disclosure as may be required by law of the Committee's approval of all non-audit services provided by the external auditor.
- (l) Ensure that the external auditor prepares and delivers an annual statement as to their independence which includes details of all relationships with the Company.
- (m) Receive from the external auditor their report on, among other things, critical accounting policies and alternative accounting treatment, prior to the filing of their audit report in compliance with the Corporations Act.
- (n) Ensure that the external auditor attends the Company's Annual General Meeting and is available to answer questions from security holders relevant to the audit.

4.3 Internal Audit Function

- (a) Monitor the need for a formal internal audit function and its scope.
- (b) Review governance, risk management and internal compliance procedures.
- (c) Monitor the quality of the accounting function.
- (d) Review the adequacy and effectiveness of the Company's internal control framework.



4.4 Risk Management

- (a) Review the Company's risk management framework at least annually to satisfy itself that it continues to be sound and whether the Company is operating with due regard to the risk appetite set by the Board.
- (b) Oversee the Company's risk management systems, practices and procedures to ensure compliance with internal guidelines and external requirements.
- (c) Review reports by Management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures, **including** that Management has appropriate processes for identifying, assessing and responding to risks.
- (d) Assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks.
- (e) Receive reports from Management on new and emerging sources of risk and the risk controls and mitigation measures that Management has put in place to deal with those risks.
- (f) Make recommendations to the Board in relation to changes that should be made to the risk management framework or to the risk appetite set by the Board.
- (g) Monitor Management's performance against the Company's risk management framework, including whether it is operating within the risk appetite set by the Board.
- (h) Review any material incident involving fraud or a break-down of the Company's risk controls and the "lessons learned".

4.5 Other

- (a) The Committee will oversee the Company's environmental and social risk management and occupational health and safety processes.
- (b) Monitor related party transactions.
- (c) Review any proposed payment of a dividend to Shareholders.
- (d) Oversee the entity's insurance program annually, having regard to the Company's business and the insurable risks associated with its business.
- (e) Evaluate the structure and adequacy of the Company's business continuity plans.
- (f) Review the adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

5. MEETINGS

- (a) The Committee will meet four times per calendar year and additionally as circumstances may require for it to undertake its role effectively.
- (b) Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee.
- (c) Where deemed appropriate by the Chair of the Committee, meetings and subsequent approvals and recommendations can be implemented by a circular written resolution or conference call.



- (d) A quorum shall consist of two members of the Committee. In the absence of the Chair of the Committee, the members shall elect one of their members as Chair of that meeting.
- (e) Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee Chair, be presented at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any Director.
- (f) The Committee Chair will provide a brief oral report to the Board as to any material matters arising out of Committee meetings. All Directors may, within the Board meeting, request information of the Committee Chair or members of the Committee.
- (g) The Committee must brief the Board promptly on all urgent and significant matters.

6. COMPANY SECRETARY

- (a) The Company Secretary or their nominee shall be the Company Secretary of the Committee and shall attend meetings of the Committee as required.
- (b) The Company Secretary will be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members and to the other members of the Board.
- (c) The Company Secretary shall distribute supporting papers for each meeting of the Committee as far in advance as possible.

7. RELIANCE ON INFORMATION OR PROFESSIONAL OR EXPERT ADVICE

Each member of the Committee is entitled to rely on information, or professional or expert advice, to the extent permitted by law, given or prepared by:

- (a) an employee of the Group whom the member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (b) a professional adviser or expert in relation to matters that the member believes on reasonable grounds to be within the person's professional or expert competence; or
- (c) another Director or Officer of the Group in relation to matters within the Director's or Officer's authority.

8. ACCESS TO ADVICE

- (a) Members of the Committee have rights of access to management, to the auditors and to the books and records of the Company, to enable them to discharge their duties as Committee members, except where the Board determines that such access would be adverse to the Company's interests.
- (b) Members of the Committee may meet with the auditors, without management being present.



- (c) The Committee may consult independent legal counsel or other advisers they consider necessary to assist them in carrying out their duties and responsibilities, subject to prior consultation with the Chair. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company. The Chair of the Committee will present the advice received from the independent expert to the Board.

9. REVIEW OF CHARTER

- (a) The Committee will review its Charter biennially, and following any applicable regulatory changes, to keep it up to date and consistent with the Committee's authority, purpose and responsibilities, and make recommendations to the Board accordingly.
- (b) The Board will conduct a biennial review of the Committee's Charter and membership to ensure that the Committee has carried out its functions in an effective manner and will update the Charter as required or as a result of new laws or regulations.
- (c) The Charter shall be made available to members on request, to senior management, to the external auditor and to other parties as deemed appropriate and will be posted to the Company's website.