

## **COFFEY INTERNATIONAL LIMITED**

### **AUDIT COMMITTEE CHARTER**

---

#### **1. INTRODUCTION**

The Board of Coffey International Limited (“Coffey” or “the Company”) has established an Audit Committee (“Committee”).

It is noted that the Committee is a sub-committee of the Board. The Committee has no decision making powers except where expressly provided by the Board. The Committee role is to review and make recommendations to the Board.

#### **2. ROLE**

The role of the Audit Committee (“the Committee”) is to assist the Board in the discharge of its responsibilities with regard to independently verifying and safeguarding the integrity of Coffey’s financial reporting.

#### **3. INTERFACE WITH THE RISK MANAGEMENT COMMITTEE**

Coffey International Limited has established separate Board Audit and Risk Management Committees. As such, there are some areas that span both committees’ responsibilities, thereby requiring effective interfaces between the Committees to support discharge of their respective responsibilities.

The primary objective of the Risk Management Committee is to assist the Board in the discharge of its responsibilities with regard to risk oversight and management. In delivering on this objective, the Committee will oversee all material risks and associated management plans and monitor the effectiveness of Coffey’s risk management framework.

The key areas where both Committees have common responsibilities are risk management, compliance and internal control including internal audit. The Audit Committee’s responsibilities in these areas, including its required interfaces with the Risk Management Committee, are described in detail in Section 6 of this document.

#### **Liaison**

The Chair of the Committee must liaise with Chair of the Risk Management Committee and Chairman of the Board on an ongoing basis to ensure that no material matter is overlooked by the three bodies.

#### **4. MEMBERS AND INDEPENDENCE**

- i) The Committee shall be comprised of a minimum of three suitably qualified non-executive directors.
- ii) One of the members will be the Chair of the Risk Management Committee.
- iii) All members of the Committee must be independent directors. Independence is given the same meaning as in the Board Charter.
- iv) The membership and chairmanship of the Committee will be reviewed annually to ensure an appropriate balance of skills and experience, that the Committee membership includes appropriate financial expertise, with at least one member having relevant financial qualifications and experience, and that each member has a working knowledge of the industries in which Coffey operates. The review will ensure compliance with relevant legislation and regulatory requirements, including requirement of the Australian Securities Exchange.
- v) A quorum shall be two non-executive directors.
- vi) The Board may appoint such additional directors to the Committee or remove and replace members of the Committee by resolution.
- vii) Members of management may attend meetings of the Committee at the invitation of the Committee Chair, but must not be appointed members of the Committee.
- viii) Attendees may not participate in deliberations of the Committee where the matter could affect his or her position or where he or she has a personal interest in the matter.
- ix) New Committee members will undertake an orientation process to enable them to understand their role and responsibilities. Ongoing training will be provided as required.
- x) The Committee may delegate its authority to subcommittees or to the Chair of the Committee from time to time.

#### **5. CHAIR**

- i) The Board shall appoint one member of the Committee as Chair of the Committee.
- ii) The Chair should be an independent director.
- iii) The Chair shall not be the Chair of the Board.
- iv) The Chair shall be primarily responsible for the proper functioning of the Committee and shall be the main contact for the Board.
- v) Where the Chair is absent from a Committee meeting, a Chair for the meeting will be appointed by the members of the Committee present.

## 6. RESPONSIBILITIES AND DUTIES

The duties of the Committee shall include reviewing and making recommendations/reporting to the Board on:

### i) Financial Reporting and Compliance

- a) Review, assess and approve the annual report, the half-year financial report and all other financial information to the extent directed by the Board which is published by the Company or released to the Australian Stock Exchange. In assessing the financial statements, the Committee relies on management attestation, and also considers reports from the internal and external auditors.
- b) Review the Company's accounting policies and make recommendations to the Board.
- c) Review procedures in place to ensure the Company is in compliance with accounting and taxation statutory requirements and other financial compliance obligations.
- d) Review updates provided by management, external and/ or internal audit regarding the Company's compliance with financial statutory requirements, and other financial compliance obligations, and provide notification of these to the Risk Management Committee.
- e) Direct actions, as appropriate, to remedy financial compliance risks or instances of financial non-compliance where these arise.
- f) Ensure the Managing Director and CFO state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition, operational results and are in accordance with relevant accounting standards.

### ii) Internal Control and Internal Audit

- a) Assist the Board in reviewing the effectiveness of the Company's internal control environment covering:
  - o Mechanisms to support the achievement of strategic direction/ change.
  - o Reliability of financial reporting.
  - o Appropriateness of the financial control environment.
  - o Effectiveness and efficiency of operations.
  - o Compliance with applicable laws and regulations.

This includes overseeing the various methods used to assist in reviewing the effectiveness of the internal control environment, including internal audit and external audit.

b) Internal Audit

The Committee will:

- o Determine the role of internal audit within the Company.
  - o Review and approve the scope of services and the rolling three year risk-based internal audit plan.
  - o Review and approve the budget for internal audit activities.
  - o Monitor progress against the internal audit plan.
  - o Review internal audit reports and direct action as required.
  - o Support internal audit in gaining management agreement on required action plans and monitor the implementation of these plans.
  - o Ensure that internal audit reports are provided to the Risk Management Committee for incorporation into the material risk profile, where appropriate.
- c) Monitor the coordination of internal and external audits, and other assurance activities, to ensure there is not duplication of effort or insufficient coverage of risk areas.
- d) Review the fraud prevention and detection strategies and monitor compliance against the procedures that support these strategies including appropriate reporting of fraudulent and improper acts.
- e) Liaise with the Risk Committee on the scope and planning of the internal audit programme.

**iii) External Auditors**

- a) On an annual basis review the performance of the External Auditor.
- b) Request applications for tender of external audit services as deemed appropriate, taking into consideration assessment of performance and value of the existing provider, and tender costs.
- c) Recommend to the Board the appointment, removal and remuneration of the External Auditor, and review their independence and competence on an ongoing basis.
- d) Review and approve the scope of the external audit, the terms of their engagement and audit fees.
- e) Review any reports provided by external audit and monitor the resolution of all significant audit findings.
- f) Resolve any significant disagreements between the External Auditor and management irrespective of whether they have been resolved.
- g) Review and approve the level of non-audit services provided by the External Auditor and ensure it does not adversely impact on auditor independence.
- h) Provide the External Auditor with a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chairman of the Board.

**iv) Risk Management**

- a) Monitor, on an ongoing basis, the Company's financial risks, and approve any significant mitigation strategies and/ or provide risk acceptance where appropriate
- b) Provide reports to the Risk Management Committee on any changes in the Company's financial risks.
- c) On an annual basis, review with the Risk Management Committee, the Company's financial risk appetite and tolerance, and then contribute to the annual risk review process.
- d) Ensure compliance with the Risk Management Framework as it relates to areas within the Committee's responsibilities.
- e) Provide input into the review of the effectiveness of the Risk Management Framework.

**v) Other**

- a) Review and monitor the propriety of related party transactions.
- b) Review the Protected Disclosures Policy and monitor compliance with the procedures that support the policy including the reporting and investigating reports of unlawful and unethical practices.
- c) Conduct or authorise investigations into any matters within the Committee's Charter.
- d) Perform other functions referred to the Committee by the Board.

In fulfilling its responsibilities, the Committee will:

- i) Ensure it has sufficient information for informed decision-making.
- ii) Ensure it receives regular reports from management, internal audit and external audit.
- iii) Meet with the external auditor and internal auditor at least twice a year or more frequently if necessary. In addition, meet separately with the external auditor and internal auditor at least twice a year without the presence of management.
- iv) Agree an annual work plan of the Committee.

**7. INDEPENDENT EXTERNAL ADVICE**

- i) The Committee may engage and/or terminate, at the expense of the Company, any independent external adviser in relation to any Committee matter, as it determines are required to assist it in the full performance of its functions.

**8. ACCESS TO INFORMATION**

- i) The committee may seek information directly from any employee or external party, including the Internal Auditors and External Auditors.

## 9. EXTERNAL AUDIT

- i) The external audit engagement partner shall be rotated every 5 years or more frequently if the Committee considers it desirable to maintain the External Auditors' independence.
- ii) In addition to meeting with the Committee regularly, the External Auditors have an unrestricted right to discuss any issues they deem necessary with the Chair of the Audit Committee or, if deemed appropriate by the External Auditors, with the Chairman of the Board.
- iii) The external auditor is required to attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.
- iv) The internal audit function, if outsourced, will be provided by a firm other than the external audit firm.

## 10. FREQUENCY OF MEETINGS

- i) The Committee will meet at least 4 times each year, including where possible prior to the Risk Management Committee and Board meetings, and at such additional times as the Committee Chair or any member of the Committee may request and deem necessary to fulfil their role.
- ii) Any Committee member may convene a meeting of the Committee or request the Secretary of the Committee to do so, provided the Chair and Secretary have been given reasonable prior notice.

## 11. ATTENDANCE

- i) Any non-executive director of the Board may attend a meeting, by providing reasonable notice to the Committee Chair (on a non-remunerated basis).
- ii) The appointed Company External Auditors have a standing invitation to attend and participate in meetings.
- iii) The Managing Director, the CFO and Group Financial Controller have a standing invitation to attend each committee meeting, subject to exclusion as deemed appropriate by the Committee Chair from time to time.
- iv) Other executives and external specialists, including the Internal Auditors, may be invited by the Chair of the Committee to attend part or all of any meeting.
- v) The Committee may ask management to present at Committee meetings on issues relevant to the Committee's duties and responsibilities.
- vi) The External Auditors and Internal Auditors will be required to meet separately with the Committee, without management, at least twice yearly and at other times as requested by the Committee Chair.

## **12. MEETINGS**

- i) Reasonable notice of meetings and the business to be conducted will be given to members, along with briefing materials.
- ii) The Committee Chair shall review the agenda for each meeting prior to its issue.
- iii) The Committee shall meet at least once annually in a joint meeting with the Risk Committee. In addition, the Committee may decide, in conjunction with the Chair of the Risk Management Committee, that a joint meeting between the Committees would be appropriate to achieve the related responsibilities of the Committees at certain other times during their annual meeting schedule.
- iv) Any Committee member may require business to be included in the agenda, provided the Chair and Secretary have been given reasonable prior notice of that business.
- v) Meetings of the Committee will be conducted in accordance with those provisions of the Company's Constitution which relate to the proceedings of meetings, to the extent not inconsistent with this Charter.
- vi) Where the Chair is absent from a Committee meeting, a Chair for the meeting will be appointed by the present members of the Committee.

## **13. SECRETARY**

- i) The Secretary to the Board will also act as Secretary to the Committee.

## **14. MINUTES**

- i) Minutes of meetings of the Committee shall be prepared by the Secretary, approved by the Committee Chair in draft and circulated to all members of the Committee and to the Board.
- ii) Minutes of meetings of the Committee shall be confirmed at the next meeting of the Committee and then signed by the Committee Chair.
- iii) All minutes of the Committee will be entered into a minute book in compliance with applicable legislation and regulatory requirements.

## 15. REPORTING

### i) Board

The Committee will provide the following reporting to the Board:

- a) The Committee Chair will provide a report on the actions of the Committee to the Board at the first meeting of the Board directly following the meeting of the Committee.
- b) The report shall include any material matters arising from the Committee meeting and any recommendations requiring Board approval and/ or action.
- c) Copies of Committee papers and reports, together with minutes of each Committee meeting will be circulated to all Board members.

### ii) Risk Management Committee

The Committee will provide the following reporting to the Risk Management Committee:

- a) Quarterly financial risk reports in the overall material risk report format.
- b) Annually, a report on the effectiveness of the risk management framework and compliance processes in managing financial risks/ obligations.
- c) Annually, a report on any changes required to the Company's financial risk appetite and tolerance.
- d) Notifications of any significant identified instances of financial non-compliance or financial compliance risks.
- e) Internal audit reports or other internal control assessment reports that may influence the Company's risk profile.

## 16. ANNUAL REVIEW

- i) The Committee will conduct an annual review of its performance and effectiveness by reference to this Charter and current best practice.
- ii) This review process will include a review of the appropriateness of the terms of this Charter for current circumstances.
- iii) Every 3 years, consideration should be given to whether this performance review should be conducted by an independent party.
- iv) Where necessary, the Committee may, by resolution, alter the responsibilities, functions or membership of the Committee and recommend to the Board the formal adoption of the revised Charter for future operations of the Committee.

### Version control

**This Update: 24 June 2010**

**Previous Update: 27 May 2010**