



# Audit, Finance and Risk Committee charter

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Myer Holdings Limited

ACN 119 085 602

Adopted by the Board on 27 September 2009

Amended 14 September 2010

Amended 11 November 2012

Amended 1 March 2014

Amended 2 July 2014

Amended 14 July 2015

Amended 19 July 2016

Amended 17 July 2018

# Audit, Finance and Risk Committee Charter

The Audit, Finance and Risk Committee (**Committee**) is established under rule 8.15 of the Constitution of Myer Holdings Limited (**Company**). For the purposes of this Charter, where appropriate, Company also includes any related bodies corporate of Myer Holdings Limited.

## 1 Membership of the Committee

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### 1.1 Composition

The Committee must consist of:

- a minimum of 3 members of the Board;
- only non-executive directors;
- a majority of independent directors; and
- an independent director as chair, who is not chair of the Board.

### 1.2 Membership

The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Non-committee members, including members of management and the external auditor may attend meetings of the Committee at the invitation of the Committee chair.

It is intended that all members of the Committee should be financially literate and have familiarity with financial management and at least one member should have relevant qualifications and experience (ie be a qualified accountant or other finance professional with experience of financial and accounting matters).

The Company Secretary must attend all Committee meetings as minute secretary.

## 2 Administrative matters

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### 2.1 Meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet at least four times each year. The Annual Report for a relevant financial year will disclose the number of times the Committee met throughout that financial year and the individual attendance of each member of the Committee at those meetings.

### 2.2 Quorum

The quorum is at least 2 members.

## **2.3 Convening and notice of meeting**

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee, of every meeting of the Committee, at the member's advised address for service of notice (or such other pre-notified interim address where relevant). However, there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

## **2.4 Rights of access and authority**

The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors. Whilst the internal audit function reports to senior management, it is acknowledged that the internal auditors also report directly to the Committee.

The Committee may seek the advice of the Company's auditors, solicitors or such other independent advisers as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require.

## **2.5 Minutes**

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval and sign-off by the Committee chair, be presented and approved by the Committee 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.

## **2.6 Reporting**

The Committee chair will provide a brief oral report as to any material matters arising out of the Committee meeting. All directors will be permitted, within the Board meeting, to request information of the Committee chair or members of the Committee.

# **3 Role & Responsibilities**

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## **3.1 Overview**

The Committee's key responsibilities and functions are to:

- (a) oversee the Company's relationship with the external auditor and the external audit function generally;
- (b) oversee the Company's relationship with the internal auditor and the internal audit function generally;
- (c) oversee the preparation of the financial statements and reports;
- (d) oversee the Company's financial controls and systems; and
- (e) manage the process of identification and management of risk.

## **3.2 Audit and Finance**

The Committee's primary roles are:

- to assist the Board in relation to the reporting of financial information;

- the appropriate application and amendment of accounting policies;
- the appointment, independence and remuneration of the external auditor; and
- to provide a link between the external auditors, the Board and management of the Company.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

### **Financial Reporting and Accounting Policies**

- Engage in the pro-active oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process as a basis for recommendation to and adoption by the Board.
- Assist the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices.
- Review the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports (or any changes made or contemplated in relation to the Company's accounting policies) and assess the management processes supporting external reporting.
- Review financial statements for adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial results
- Review management processes supporting external reporting, and any complaints or concerns raised internally or externally regarding financial reports or accounting processes and practices.
- ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.
- Ensure that appropriate risk management and internal control processes are in place to form the basis upon which the CEO and CFO execute their declarations to the Board of Directors at year end under section 295A of the *Corporations Act 2001* (Cth) and Principle 4 of the ASX Corporate Governance Principles and Recommendations (Third Edition).

### **External audit**

- Approve the selection, appointment and termination of external auditors. Also approve the audit contract, terms of engagement and process for the rotation of external audit engagement partners.
- Review the scope and effectiveness of the annual external audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary.
- Review the performance, independence and objectivity of the external auditors.
- Review the results of the external audit of financial reports (including assessing whether external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs).
- Develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy.
- Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in

order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's annual report.

### **Internal Audit**

- (n) Review and approve the appointment and dismissal of the senior internal audit executive.
- (o) Ensure the Internal Audit function is adequately resourced and co-ordinated with the external auditor.
- (p) Approve the internal audit program. Review the effectiveness of internal audit program and performance and independence of the Internal Audit function.
- (q) Review and report to the Board that a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies.

### **3.3 Risk**

The Committee's specific function with respect to risk management is to review and report to the Board at least annually that:

- (a) the Company's ongoing risk management program effectively identifies all areas of potential risk;
- (b) adequate policies and procedures have been designed and implemented to manage identified risks, including a risk register, which describes the material risks facing the Company; and
- (c) proper remedial action is undertaken to redress areas of weakness.

The Committee procedures would include review and approval of:

- management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks.
- financial and operational risk management control systems (including reviewing risk registers and reports from management and external auditors).
- the Company's Business Continuity Plans.
- the adequacy of the Company's own insurances.
- the strategic direction, objectives and effectiveness of the Company's financial and operational risk management policies.
- the establishment and maintenance of processes to ensure that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- the Company's exposure to fraud, including establishing processes for the prevention, detection and investigation of fraud or malfeasance.
- the Company's exposure to material economic, environmental and social sustainability risks, including the processes established to manage any of those risks.

### **3.4 Compliance**

The Committee's specific function with respect to compliance is to review and report to the Board regarding the effectiveness of the compliance program. The Committee procedures would include review and approval of:

- compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices, occupational health and safety, and the environment).
- compliance with Corporate Governance practices and regulations including ASX Listing Rules, Corporations Act and AASB requirements and other best practice corporate governance processes.
- the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards.
- reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

## 4 Relationship with the external auditor

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The Committee provides a link between the external auditor and the Board and has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement. Specific activities required in relation to the external auditor are set out in 3.2 above.

The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Attachment 1.

## 5 Relationship with the internal auditor

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The Committee has the responsibility of:

- reviewing the internal auditor's objectives, competence and resourcing (including determining whether the internal audit function is to be provided by an internal or external party provider);
- ensuring an appropriate program of internal audit activity is conducted each financial year;
- reviewing and monitoring the progress of an internal audit and work program (without the presence of management);
- overseeing the coordination of the internal and external audit; and
- evaluating and critiquing management's responsiveness to internal auditor's finding and recommendations.

Specific activities required in relation to the internal auditor are set out in 3.2 above.

## 6 Review

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The Board will, at least once in each year, review the membership and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

The Charter of the Committee is available on the Company's website and the key features will be published in the annual report.

## External Audit Policy

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### **Appointment**

The Audit, Finance and Risk Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

### **Assessment of External Auditor**

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

### **Independence**

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the directors approve the half-year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

### **Rotation of External Audit Engagement Partner**

The external audit engagement partner is required to rotate at least once every 5 years