

# Audit and Risk Committee Charter

NSX Limited

(ABN 33 089 447 058)

Issued: February 2022





# Table of Contents

---

1.	Introduction .....	3
2.	Purpose of the Charter.....	3
3.	Role of the Committee .....	4
4.	Membership.....	4
5.	Term .....	4
6.	Authority and Resources .....	5
7.	Reporting to the Board.....	5
8.	Meetings and Attendance .....	6
	Schedule 1: Annual Committee Responsibilities.....	8
	Schedule 2: Selection of external auditor .....	11



# 1. Introduction

---

## Background

NSX Limited (“**NSXL**”) is committed to conducting its business in a way that is open and accountable to shareholders, its stakeholders, customers and the wider marketplace. NSXL believes that its corporate governance practices as a public company should be of a high and rigorous standard.

NSXL is the parent company of the National Stock Exchange of Australia Ltd (“**NSXA**”). NSXA holds an Australian Market Licence enabling NSXA to operate a Stock Exchange within Australia.

As a market licensee, NSXA has the statutory obligation to operate a market that is fair, orderly and transparent (“**FOT obligations**”)<sup>1</sup>. Responsibility for NSXA meeting its statutory obligations as a market licensee rests with the Board of NSXA and supported by the Board of NSXL.

This requirement is enshrined in the constitutions of NSX Limited and National Stock Exchange of Australia Limited.

## Governance Standards and Requirements

The policy is reflective of the following governance standards:

- (a) The Constitution of NSX Limited;
- (b) The Corporations Act;
- (c) ASIC Regulatory Guides as varied from time to time;
- (d) While NSXL is the holding company of NSXA, the requirements and conditions of the National Stock Exchange of Australia Australian Market Licence and published variations; and
- (e) While NSXL is listed on ASX, the ASX Corporate Governance Council Principles and Recommendations (the fourth edition), the ASX Listing Rules and Guidance Notes.

# 2. Purpose of the Charter

---

The Audit and Risk Committee (“the Committee”) is a committee of the NSX Limited (“NSXL”) Board (“the Board”).

This Charter sets out the role and responsibilities, composition and operation of the Committee.

---

<sup>1</sup> Subsection 792A of the Corporations Act (2001) Cth



### 3. Role of the Committee

---

The role of the Committee is to monitor and review:

- (a) the integrity of the financial reporting systems, financial reporting and financial statements, including significant financial reporting judgments;
- (b) the external audit function including matters concerning the appointment, remuneration, independence, competence and non-audit services;
- (c) the effectiveness of risk management systems, controls, procedures and reporting;
- (d) the systems and procedures for maintaining compliance with relevant legal and regulatory requirements;
- (e) compliance with the Code of Ethics & Conduct;
- (f) the adequacy of the company's corporate reporting processes;
- (g) and undertake other functions as assigned by law, the Constitution or as requested by the Board.

### 4. Membership

---

The Committee will consist of a minimum of three directors. Committee members are appointed by the Board. The Committee will comprise at least three non-executive directors and a majority of independent directors.

The chair of the Committee must be an independent non-executive director who is not the chair of the Board.

All Committee members shall be financially literate. At least one member will have accounting and/or related financial management expertise as determined by the Board. All Committee members will have sufficient understanding of the industries in which the NSX operates to be able to effectively discharge Committee duties and responsibilities.

The Committee can make a recommendation to the Board concerning the membership of the Committee.

The Board to review the membership skills and tenure of the Committee as per section 5: Term.

The Board appoints the Chair and determines the members of the Committee.

### 5. Term

---

The Committee or the Board may review the membership skills



Committee members are appointed on a 3-year term basis.

Committee member terms may be extended for multiple 3 year terms.

## 6. Authority and Resources

---

- (a) The Committee has no executive power over its findings or recommendations.
- (b) The Board authorises the Committee as a delegated Committee of the Board under the Constitution to assist it in fulfilling its statutory and regulatory responsibilities.
- (c) The Committee may seek provision of information, documents and records on accounting policies and other relevant financial topics to assist in fulfilling its duties.
- (d) The Committee may require management to attend meetings and provide any information or advice that the Committee requires;
- (e) The Committee may seek explanations and additional information from the external auditors, without management present, as the Committee considers necessary.
- (f) When considered necessary, within financial reason or appropriate, the Committee may conduct or authorise investigations within its Charter and may retain independent legal, accounting or other advisors with costs approved by the Board.

## 7. Reporting to the Board

---

The Chair of the Committee reports to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

To assist the Board, the Committee will report to the Board on the following matters:

- (a) assessment of whether external reporting is consistent with Board members' information and knowledge and is adequate for shareholder needs;
- (b) assessment of the management processes supporting external reporting;
- (c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (d) recommendations for the appointment or, if necessary, the removal of the external auditor;
- (e) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Board is satisfied that provision of those services has not compromised the auditor's independence; and



- (f) the results of the review of risk management framework and internal control systems, including consideration of whether the Company has a material exposure to any particular emerging risks.

## 8. Meetings and Attendance

---

- (a) The Committee will meet as frequently as required to undertake its role effectively.
- (b) The Committee Chair must call a meeting of the Committee if requested by any member of the Committee, the external auditor, internal auditor or by the Chair of the Board.
- (c) A quorum of the Committee shall be any 2 members.
- (d) Should the Chair be absent from the meeting, the members of the Committee present at the meeting have the authority to appoint a Committee member to chair that particular meeting.
- (e) As necessary or desirable, the Chair may invite members of management, representatives of the external auditors and/or other external advisors attend meetings of the Committee. Board members may attend any meeting of the Committee by open invitation.
- (f) At the request of the Committee, the external audit engagement partner will attend meetings of the Committee. At least once per year, the Committee will meet with the external auditor without management present.
- (g) At the request of the Committee, management or others will attend the meetings.
- (h) The secretary of the Committee will be the Company Secretary who will take the minutes and operate the administration of the Committee.
- (i) The agenda and supporting papers will be delivered to Committee members in advance of the meeting.
- (j) Proceedings of all meetings are minuted, approved by the Committee and signed by the Chair of the meeting.
- (k) Meetings may be held in person or by other means such as telephone or video conference or a mixture of methods as determined by the Committee Chair.

## 9. Committee members' interests

---

Committee members must disclose any actual or potential conflicts of interest that exist in relation to the role and responsibilities of the Committee.



## 10. Secretary

---

The Company Secretary of NSX shall act as Secretary of the Committee.

## 11. Voting

---

Matters arising for determination at Committee meetings shall be decided by a majority of votes of directors present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the Chair of the meeting, in addition to his deliberative vote, has a casting vote.

## 12. Review of the Charter

---

This Charter is to be reviewed by the Committee or the Board from time to time to ensure it remains consistent with Board's objectives and responsibilities. Recommendations for change to the Charter by the Committee are to be communicated to the Board for discussion and, if thought fit, approval.

## 13. Publication

---

A copy of this charter is available at [www.nsx.com.au](http://www.nsx.com.au).



# Schedule 1: Annual Committee Responsibilities

---

## Corporate Financial Reporting and Internal Controls

- (a) Review half-year, annual and, if applicable, quarterly financial statements.
- (b) Assess management's selection of accounting policies and principles and make recommendations regarding significant financial, accounting and reporting issues.
- (c) Consider the external audit of the financial statements and the external auditor's report including an assessment of whether external reporting is consistent with Board members' information and knowledge.
- (d) Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks (and other business risks if authorised), and the Company's risk management framework and systems generally.
- (e) Assess if the external auditors report is adequate for shareholder needs.
- (f) Receive CEO and CFO attestations as required by the Corporations Act.

## Risk Management

- (a) Ensure that a risk management system is maintained
- (b) Review the effectiveness of the enterprise risk framework for identifying, monitoring and managing significant business risks.
- (c) Review the responsibility for risk oversight and management of specific risks to ensure a common understanding of accountabilities and roles.

## Insurance program

Review the insurance program at least annually having regard to the business operations and the associated insurable risks.

## Compliance

For the purposes of inclusion into any statutory reports as required by the Corporations Act and reporting to the external auditors:

- (a) Review the Company's compliance framework for identifying, monitoring and managing compliance with laws and regulations;
- (b) Obtain updates as required from management regarding compliance matters in relation to the Company's compliance with significant statutory requirements;





- (c) Review reports from the Compliance Committee in relation to compliance with any conditions of regulatory licences, other than those delegated for reporting to the Compliance Committee;
- (d) Consider the findings of any examinations by regulatory bodies.

### Annual meeting with External Auditor

- (a) Discuss the choice of accounting policies and methods, and any recommended changes.
- (b) Discuss the adequacy and effectiveness of internal controls.
- (c) Discuss any significant findings and recommendations of the external auditor and management's response.
- (d) Discuss any difficulties or disputes with management encountered during the course of the audit including any restrictions or access to required information.

### External Auditor

- (a) Review procedures regarding the external auditor including matters set out in Schedule 2.
- (b) Appoint and, if necessary, remove the external auditor and approve the terms on which the external auditor is engaged including matters set out in Schedule 2.
- (c) Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services.
- (d) Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees.
- (e) Assess the overall performance of the external auditor.
- (f) Ensure auditor attendance at Company's annual general meeting and availability to answer questions from security holders relevant to the audit.

### Other

- (a) Verify the composition of the Committee function is in accordance with the Audit and Risk Committee Charter.
- (b) Review the independence of each Board member based on the Company's policy on assessing the independence of Directors in the Board Charter.
- (c) Review and update the Audit and Risk Committee Charter and Action Points, as required from time to time.
- (d) Develop and oversee procedures for treating complaints or employee concerns received regarding accounting, internal accounting controls, auditing matters and breaches of the Code of Ethics & Conduct.



(e) The Committee will review its performance from time to time. The review will include consideration of the extent that responsibilities under this Charter have been met.



## Schedule 2: Selection of external auditor

---

### Introduction

The Committee conducts the selection process and recommends a preferred external auditor to the Board. The Board may endorse the external auditor recommended by the Committee and appoint the auditor. Alternatively, the Board may wish to review the recommendation of the Committee. At the request of the Committee, the CEO and/or CFO may assist the Committee in the selection and appointment process including by proposal of an external auditor, together with a written supporting submission.

### Tender

- (a) Request for submissions if the Committee elects to undertake a tender process, the CEO will arrange the preparation of a draft request for submissions that will be reviewed for approval by the Committee (with such changes as it considers appropriate). The request should contain sufficient information to enable a proposal and fee estimate to be provided. The request should include information about NSXL, its operations, key personnel, structure, financials and any other relevant information. The CEO will arrange for candidates to meet with a selection panel appointed by the Committee.
- (b) The selection panel will comprise nominated members of the Committee, and any other person the Committee considers appropriate to assist it to assess the suitability of the external auditor.

### Selection Criteria

The preferred external auditor should best satisfy the selection criteria identified by the Committee including:

#### (a) Fees

A candidate must provide a firm fee quotation for its audit services. Price will be only one of the relevant factors in the selection of a preferred external auditor.

#### (b) Independence

A candidate must satisfy the Committee that it is independent and outline the procedures it has in place to maintain its independence. The external auditor must be independent from, and be seen to be independent from, NSXL. In monitoring external auditor independence, the Committee will have regard to the following :

- (i) monitor the number of former employees of the external auditor who were involved in auditing NSXL and who are currently employed in senior financial positions, and assess whether this impairs or appears to impair the auditor's judgement or independence.



- (ii) An individual auditor who was engaged by the external auditor and participated in the NSXL audit shall be precluded from employment as CEO or CFO of NSXL for a period of at least 12 months from the time of the audit; and
- (iii) consider whether taken as a whole, the various relationships between NSXL and the external auditor and the economic importance of the engagement (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of any non-audit services) to the external audit impair or appear to impair the auditor's judgement or independence.

#### (c) Scope of audit/issues resolution

A candidate must outline its response to the scope of audit in the request for submissions and any proposed procedures to address any issue of material significance or matter of disagreement with management. The external auditor and the CFO will be required to disclose to the Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

#### (d) Non-audit work

A candidate must detail its approach to the provision of non-audit related services. Generally, such work should be at most negligible. If proposed otherwise, the Committee must consider the circumstances in which the external auditor might be engaged for non-audit services. Matters to be considered include the extent, scope and potential value of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity. The scope of non-audit work must not be allowed to impinge upon the external auditor's independence.

#### (e) Other matters

The selection criteria may include such other matters as the Committee thinks fit.

### Rotation of external audit engagement partner

The Committee will ensure that the external auditor has in place arrangements with regard to any legislative or regulatory requirements for rotation of the audit engagement partner. The audit engagement partner for the audit must rotate at least every 5 years. At least two years must expire before the Audit Partner can again be involved in the audit of NSXL.

### Review of audit arrangements

The Committee will periodically review the external auditor's performance, at least annually. As part of this review the Committee will obtain feedback from the CFO and other members of senior management regarding the quality of the audit service.