



**THORNEY**

TECHNOLOGIES

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# **AUDIT & RISK COMMITTEE CHARTER**

THORNEY TECHNOLOGIES LTD

ABN 66 096 782 188

Level 39, 55 Collins St. Melbourne VIC 3000 Australia

This policy was approved on 15 November 2016, to have effect from the re-listing of Thorney Technologies Ltd (**Company**) as an ASX Listed Investment Company.

## 1. Introduction

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- 1.1 The Audit and Risk Committee (**ARC**) is a committee of the Board of Directors of the Company.
- 1.2 The Committee has been established under the Company's constitution.
- 1.3 This Charter sets out the scope of the Committee's responsibilities in relation to the Company.
- 1.4 The Company is currently an ASX Listed Investment Company and has appointed a number of outsourcing providers to support its business activities. Functions that have been outsourced include investment management, portfolio administration and company secretarial functions as well as custodian and prime broker services.
- 1.5 These services have been provided from or arranged by Thorney Management Services Pty Ltd (**Investment Manager**) under an investment management agreement approved by shareholders.

## 2. Definitions

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**ARC or Committee** means the Audit and Risk Committee of the Company.

**Board** means the Board of Directors of the Company.

**Company** means Thorney Technologies Ltd ACN: 096 782 188

**Directors** means the members of the Board.

**Investment Manager** means Thorney Management Services Pty Ltd ACN 164 880 148

## 3. Purpose of Charter

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- 3.1 The purpose of the Committee is to assist the Board in discharging its responsibilities in relation to effective management of financial and operational risks while obtaining assurance in respect of the effectiveness of its internal controls.
- 3.2 In general this assistance includes with oversight of accounting and tax compliance, accounting and tax treatments adopted by the Company, compliance with laws and regulations and external audit reports.
- 3.3 The Committee will promote a culture of compliance and ensure effective communication between the Board, the Investment Manager and other outsource service providers. The Committee must ensure the audit functions and communications between the Board and the auditors is effective and that financial and non-financial information provided to Directors is of high quality and relevant to the judgments to be made by them.
- 3.4 The Company's market and credit risks are dealt with directly at Board level.

### **3. Purpose of Charter continued**

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- 3.5 In fulfilling its responsibilities, the Committee receives regular reports from the Investment Manager and the auditors and periodically meets with the external auditors
- 3.6 The conduct of the Board is also governed by the Constitution of the Company, a copy of which is located at [www.thorney.com.au/thorney-technologies/](http://www.thorney.com.au/thorney-technologies/) .

### **4. Internal controls and risk management**

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- 4.1 The Committee will oversee the establishment and implementation of risk management and internal compliance and control systems and ensure there is a mechanism for assessing the efficiency and effectiveness of those systems.
- 4.2 ARC needs to assess whether the Company is setting an appropriate culture of controls.
- 4.3 ARC needs to assess any recommendations made by the external auditors with regard to internal control and the operational risk management framework's overall effectiveness.
- 4.4 ARC should obtain appropriate assurance in respect of the overall effectiveness of the internal control and operational risk management framework of the Company and the Investment Manager.
- 4.5 The Company's risk management systems and compliance processes should be tested and be operating efficiently and effectively.
- 4.6 The Committee should approve and recommend to the Board the adoption of policies and procedures on risk oversight and management to establish an effective and efficient system for identifying, assessing, monitoring and managing risk and disclosing any material change to the risk profile. Importantly it should regularly review the Company's risk profile.
- 4.7 The risk management system takes into account all material risks, including risks arising from:
- implementing strategies (strategic risk);
  - operations or external events (operational risk);
  - regulatory compliance (legal risk);
  - changes in community expectation of corporate behaviour (reputation risk); and
  - being unable to fund operations or convert assets into cash (liquidity risk).
- 4.8 The Committee should make recommendations to the Board in respect of the Company's risk appetite and should monitor and ensure compliance with legal and regulatory requirements as well as corporate governance requirements.
- 4.9 The Committee should:
- undertake reviews as directed by the Board;
  - make recommendations to the Board in relation to the Company's insurance program;
  - review the findings of examinations by regulatory agencies and discuss any reports concerning material violations of laws and regulatory requirements that impact on financial reporting, tax or compliance with legislation of the Company and evaluate the adequacy of the Company's response to identified breaches; and
  - make inquiries to evaluate the completeness and quality of financial and operational information being provided to the Board, make recommendations for improvements and seek advice from the external auditors as required.

## 5. Outsourcing providers

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- 5.1 The Committee is responsible for reviewing, approving and recommending agreements with outsourcing providers to the Board for execution. This includes regular reviews of relevant aspects of the agreements with outsourcing where the ARC monitors and assesses their performance.

## 6. Financial reporting

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- 6.1 The Committee is responsible for reviewing financial reports and financial information prepared by the Investment Manager and understanding the impact of significant accounting and reporting issues, including recent professional and regulatory pronouncements on the financial reports for the Company.

6.2 Other responsibilities include:

- assessing the appropriateness and application of the Company's accounting policies and principles and any changes to them, to ensure compliance with the financial reporting framework;
- obtaining an independent opinion from the external auditor about the acceptability and appropriateness of the Company's accounting policies and principles and the clarity of the Company's current or proposed financial disclosure practices.
- reviewing and discussing with the Investment Manager and the external auditor (as required) the areas of significant estimates or judgments, non-compliance with laws and regulations, accounting and tax matters and risks, and the management of those risks.
- reporting to the Board on matters which may significantly impact the financial condition of the Company;
- reviewing information from advisers and external auditors before any market releases are approved by the Board;
- monitoring the continuous disclosure process adopted by the Board and recommending to the Board any necessary changes;
- recommending to the Board whether the financial reports of the Company are in order for adoption; and
- reviewing compliance with all related party disclosures requirements (where applicable) established by accounting standards and the *Corporations Act 2001 (Cth)*.

## **7. External audit**

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- 7.1 The Committee is responsible for reviewing and recommending to the Board the terms of engagement (including fees) of the external auditor, including the appointment or removal.
- 7.2 The Committee should review and approve the annual audit plan including the scope of the external audit and identified risk areas.
- 7.3 ARC should receive input from the Investment Manager on the performance of the external auditor.
- 7.4 ARC should review the independence and performance of the external auditor annually or as required and should ensure any recommendations made, are appropriately acted on.
- 7.5 For the purposes of the Directors Report the Committee needs to advise whether the provision of all non-audit services by or on behalf of the external auditor during the financial year comply with the statutory auditor independence requirements and the Company's policy, together with the reasons why.
- 7.6 If necessary the Committee should meet separately with the external auditor to discuss matters as required and discussing with the external auditor matters arising in the normal course of audit work, including any restriction on audit scope or access to information.
- 7.7 Where appropriate, the Committee should ensure that the external audit engagement partners are rotated in accordance with relevant statutory requirements, and otherwise after a maximum of five years' service; and must review all management representation letters signed by the Investment Manager.

## **8. Internal audit**

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- 8.1 Where an internal audit function is to be instituted, the Committee will review and approve the appointment of an Internal Auditor. The Internal Auditor will report directly to the Committee.
- 8.2 The Committee is responsible for:
- evaluating the requirement for an internal audit function and, if required, the process for monitoring and assessing the effectiveness of the internal audit function;
  - the engagement and dismissal of any chief internal audit executive or third party internal audit service provider (Internal Auditor);
  - ensuring any Internal Auditor is independent of the external auditor;
  - overseeing the scope of the internal audit (including reviewing the internal audit team's mission, charter, qualifications and resources);
  - reviewing and approving the annual internal audit plan and ensure that it addresses key areas of risk and that adequate resources have been assigned;
  - reviewing the internal audit reports and ensuring significant findings and recommendations made, are appropriately acted on;
  - meeting separately with internal audit to discuss matters as required; and
  - monitoring and reporting to the Board on the responsiveness to internal audit findings and recommendations.

## **9. Other responsibilities**

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- 9.1 The Committee is responsible for
- overseeing the development and implementation of all the corporate governance related policies.
  - assessing compliance with the various codes, policies and charters.
  - recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to directors and officers liability.

## **10. Committee composition**

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- 10.1 The Committee must comprise:
- a. at least two directors;
  - b. all non-executive directors; and
  - c. at least 50% majority independent directors.
- 10.2 All directors are invited to and should attend each meeting.
- 10.3 The Board will appoint the chairperson. The chairperson must be an independent director and may not be the chairperson of the Board.
- 10.4 The secretary of the Company will be the secretary of the Committee.
- 10.5 The Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.
- 10.6 Each member of the Committee should be able to read and understand financial statements and at least one member must have experience in financial and accounting matters.
- 10.7 Each member of the Committee should have an appropriate understanding of the funds management industry.
- 10.8 A member may act by their alternate.

## **11. Committee meetings**

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- 11.1 ARC will meet a minimum of 3 times each year.
- 11.2 A quorum for ARC meetings is any 2 Committee members.
- 11.3 Committee meetings may be held using technology allowing members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but is participating using technology is taken to be present.
- 11.4 Without holding a meeting the Committee may pass or approve a circular or written resolution. A circular or written resolution signed by a majority of all members will be effective as a resolution duly passed at a Committee meeting and may consist of several documents in like form, each signed by one or more members. The expression "written" includes fax or other electronic means.
- 11.5 The Committee may invite other persons it regards appropriate to attend Committee meetings. Representatives of the Investment Manager may be invited to join meetings of the Committee, and may be invited by the ARC chairperson to speak at meetings of the Committee, but will not be entitled to vote on matters put to the Committee, and shall leave a meeting if requested to do so by the chair.

## **12. Company Secretary**

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- 12.1 The secretary should circulate the agenda and committee papers a reasonable period in advance of each meeting.
- 12.1 The Company Secretary is available to keep minutes of meetings, if required.
- 12.2 Draft minutes of each Committee meeting should be completed in time as to be included in the board papers for the next full Board meeting after each ARC meeting.
- 12.3 Minutes must be distributed to all ARC members, after the ARC chair has approved them.
- 12.4 Minutes, agenda and supporting papers are available to Directors upon request to the Committee secretary, except if there is a conflict of interest.

## **13. Committee Chair to report to the Board**

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- 13.1 The Committee chair must report the Committee's findings to the Board after each Committee meeting.

## **14. Access to information and independent advice**

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- 14.1 The Committee may seek any information it considers necessary to fulfil its responsibilities.
- 14.2 The Committee may access the external auditors, with or without the presence of the Investment Manager, to seek explanations and information from them.
- 14.3 The Committee may seek professional advice from appropriate external advisers, at the Company's cost.

## **15. Review and changes to this Charter**

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- 15.1 The Committee will conduct an appraisal of the performance of its members, adherence to its Charter and achievement of its objectives every 2 years.
- 15.2 The Committee will review this Charter annually and recommend any amendments to this Charter to the Board for approval.
- 15.3 When appropriate, the Board can make changes to this Charter at any time by resolution.

## **16. Publication of the Charter**

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- 16.1 Key features of the charter are outlined in the annual reports to shareholders each year.
- 16.2 A copy of the charter is available at [www.thorney.com.au/thorney-technologies/](http://www.thorney.com.au/thorney-technologies/)
- 16.3 The charter is to be made available to shareholders of the Company upon request.