



# Audit and Risk Committee (ARC) Charter

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## Role and responsibilities

The ARC assists the board in carrying out its duties by providing independent and objective review, advice and assistance in developing board policy and monitoring corporate activity within the scope of its remit, and making recommendations to the board for resolution. It is not a policy-making body nor does it have substantive executive function in its own right.

The role of the ARC includes assisting the board in the company's governance and exercising of due care, diligence and skill in relation to:

- 1) reporting financial information to users of financial reports;
- 2) application of accounting policies;
- 3) financial management;
- 4) the internal control system;
- 5) the risk management system;
- 6) the performance management system;
- 7) business policies and practices;
- 8) protection of the company's assets;
- 9) risk assessment, treatment strategies, mitigation and monitoring; and
- 10) compliance with applicable laws, regulations, standards and best practice guidelines.

The Responsibilities of the ARC are outlined in Appendix 1 to this Charter.

## Objectives

## Audit Related Matters

- 1) improving the credibility and objectivity of the accountability process, including financial reporting;
- 2) overseeing the effectiveness of the internal and external audit functions and providing a forum for communication between the board and the internal and external auditors;

URL: [www.CoAssets.com](http://www.CoAssets.com) | Phone: +61 2 8280 7355 | Email: [Admin@CoAssets.com](mailto:Admin@CoAssets.com)

CoAssets Ltd | Level 12, 680 George Street, Sydney, NSW 2000  
CoAssets Pte Ltd | 7 Temasek Boulevard, #18-03B, Suntec Tower One, Singapore 038987  
CoAssets Sdn Bhd | Level 30, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra,  
59200, Kuala Lumpur, Malaysia



- 3) ensuring the independence of the external auditor;
- 4) providing a structured reporting line for internal audit and monitoring the objectivity and independence of the internal auditor;
- 5) assuring the quality of internal and external reporting of financial and non-financial information; and
- 6) ensuring an ethical culture is embedded throughout the company.

## **Risk Related Matters**

The Company's risk policy objectives will be achieved by company-wide implementation of effective risk identification, management and mitigation programs, including:

- 1) monitoring and reviewing issues that may impede the goals, objectives and performance of the Company;
- 2) maintenance of an enterprise risk management framework and appropriate operational risk management frameworks based on industry accepted standards;
- 3) maintenance of internal control systems in order to provide accurate, relevant, timely and reliable financial and operational information;
- 4) monitoring and reviewing safety systems throughout the company's operations;
- 5) monitoring of operations and maintenance of records, to ensure compliance with company policies and regulatory requirements;
- 6) the reporting to the board on significant circumstances and risk related issues, which may materially affect the Company;
- 7) implementation of management systems and loss prevention and control measures directed at managing the potential for loss or damage to the Company;
- 8) management of insurance programs to ensure appropriate coverage by reputable insurers at competitive premium levels with regard to the company's circumstances and needs; and
- 9) ensuring an appropriate risk-aware culture has been embedded throughout the Company.

## **Authority**

The board authorises the ARC, through the ARC Chair, to:

- 1) oversee the appointment, compensation and work of any registered company auditor engaged by the Company;
- 2) resolve any disagreements between management and the auditor on financial reporting;
- 3) pre-approve all auditing and non-audit services;
- 4) retain independent counsel, accountants or others to advise the ARC or assist in the conduct of an investigation;

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- 5) retain independent risk, actuarial, insurance or other consultants to advise the ARC or assist in the conduct of risk related issues; and
- 6) seek any information it requires from employees, who are directed to co-operate with the ARC's requests, or from external parties.

## Composition

The ARC will comprise of at least three, and usually no more than five, members of the board. The board will appoint ARC members and the ARC will appoint the Chair of the ARC.

Each ARC member will be financially literate and the majority will be independent. At least one member of the ARC will have relevant qualifications and experience (such as being a qualified accountant holding a current accounting qualification, CPA or CA, or other finance professional with experience of financial and accounting matters).

ARC members should be conversant with risk management principles and standards, with the majority of members having a sound understanding of the business, operations and affairs of the company and the Industry in which it operates.

The Chair of the ARC will be a non-executive and independent director, and must not also be the Chair of the board.

## Invitees

The ARC may invite non-members to attend as it sees fit and consult non-members or seek any information it considers necessary to fulfil its responsibilities. Non-members who be invited to attend meetings of the ARC include but are not limited to:

- 1) the chief executive officer;
- 2) the chief operating officer;
- 3) the chief financial officer;
- 4) the company secretary;
- 5) the head of internal audit;
- 6) the head of internal risk or other person charged with compliance assurance;  
and
- 7) the external auditor

The non-members may take part in the business of, and discussions at, the meeting but have no voting rights.

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At times all executive and management personnel will be invited to leave the meeting to allow the ARC to have a closed session either with or without the presence of the external auditor.

## Meetings

The ARC will meet at least twice a year and additionally as the ARC considers necessary.

The internal or external auditors may request a meeting and such a request is to be met.

A quorum will be more than half the members. In the Chair's absence from a meeting, the members present will select a Chair for that particular meeting.

All ARC members are expected to attend each meeting in person or through other approved means such as teleconferencing or video conferencing.

The notice and agenda of a meeting will include relevant supporting papers.

## Voting

Any matters requiring decision generally will be decided by consensus, or if a consensus is not achievable, then by a majority of votes of members present.

## Conflicts of interest

ARC members will be invited to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged. Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from discussions on the issue where a conflict exists.

## Secretariat duties

- 1) The Company Secretary (or other appropriate designated person) will act as secretary to the ARC. The secretary will assist the Chair to develop and distribute agendas, papers, minutes and the calendar.
- 2) Minutes must be prepared, approved by the chair and circulated to the members within two weeks of a meeting. The minutes must be ratified at the next meeting of the ARC and signed by the chair of that next meeting.

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## Reporting to the Board

The Chair of the ARC is to report to the board following each ARC meeting. The manner of reporting may be by distribution of a copy of the minutes supplemented by other necessary information, including recommendations requiring board action and/or approval.

## Reviews

The ARC will review its performance on an annual basis. The review may be conducted as a self-assessment and will be coordinated by the Chair. The assessment may seek input from any person. Training needs will be monitored by the Chair.

The ARC should review its composition annually to ensure that it remains consistent with the board's objectives and responsibilities. The board should consider the ARC's review and either approve or further review the ARC's charter and/or composition.

## Review of charter

- 1) The ARC will review their charter annually to provide assurance that it remains consistent with the board's objectives and responsibilities.
- 2) Following such review, the Board will approve the ARC Charter.

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## Appendix - Responsibilities of the ARC

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The ARC will carry out the following responsibilities:

### Financial reporting

- 1) Review significant financial and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent professional and regulatory announcements and understand their effect on the financial report.
- 2) Review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements.
- 3) Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 4) Review the annual financial report.
- 5) Assess significant estimates and judgements in financial reports by asking management about the process used in making material estimates and then ask the internal and external auditors the basis for their conclusions on the reasonableness of management's estimates.
- 6) Review with management and the external auditors all matters required to be communicated to the FARC under the Australian Auditing Standards.
- 7) Consider the appropriateness of the accounting principles and policies adopted and any amendments, as well as the methods of applying those principles and policies ensuring they are in accordance with the stated financial reporting framework.
- 8) Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.
- 9) Assess management explanations for unusual transactions or significant variances from prior year results or current year budget.
- 10) Assess the management of non-financial information in documents to ensure the information does not conflict with the financial statements or other documents.
- 11) Recommend to the board whether the financial and non-financial statements should be signed based on the ARC's assessment of them.

### Internal control and risk management

- 1) Assess the internal processes for determining and managing key risk areas, particularly:
  - a) compliance with laws, regulations, standards and best practice guidelines;
  - b) important judgments and accounting estimates
  - c) litigation and claims
  - d) fraud and theft
  - e) business risks other than those dealt with by other specific board committees.

- 2) Ensure that the company has an effective risk management system and that significant or material risks are reported to the board.
- 3) Address the effectiveness of the internal control, risk management and performance management systems with management and the internal and external auditors.
- 4) Assess effectiveness of, and compliance with, the corporate code of ethical conduct and compliance with internal plans, policies and procedures.
- 5) Obtain regular updates from management and company lawyers about compliance matters.
- 6) ensure the chief executive officer (or equivalent) and the chief financial officer (or equivalent) are reasonably able to state that their declarations under S.295A of the Corporations Act 2001 relating to financial statements and reports of the company are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects, in relation to the financial reporting risks.

## External audit

- 1) Make recommendations to the board on the appointment, remuneration and monitoring of the effectiveness and independence of the external audit provider.
- 2) Review the external audit provider's fee and be satisfied that an effective audit can be conducted for the fee.
- 3) At the start of each audit, agree the terms of engagement with the provider and review the annual engagement letter.
- 4) Review and confirm the independence of the external audit provider by obtaining statements from the provider on relationships between the auditor and the company (including non-audit services) and discussing the relationships with the auditor.
- 5) Monitor and critique management's responsiveness to the external audit provider's findings and recommendations – ask the provider if there have been any significant disagreements with management (irrespective of whether they have been solved).
- 6) Provide the opportunity for audit ARC members to meet with the external audit provider without management personnel being present at least once a year.
- 7) Advise the board on the rotation of the external audit provider at intervals of approximately each five years or otherwise as appropriate.

## Internal audit

- 1) Make recommendations to the board on the appointment, remuneration and monitoring of the effectiveness and independence of internal audit.
- 2) Ensure that sufficient resources are available to enable an effective audit to be conducted in the areas identified for internal audit review.
- 3) Communicate the ARC's expectations to the internal audit in writing and ensure that reports are directly to the ARC.



- 4) Review and approve the scope of the internal audit plan and work program, monitor progress and consider the implications of internal audit findings for the control environmental.
- 5) Monitor and critique management's responsiveness to the internal audit findings and recommendations.
- 6) Ensure that the internal audit and external audit programs are effectively coordinated.
- 7) Provide the opportunity for ARC members to meet with the internal auditor without management personnel being present at least once a year.

## **Risk transfer and insurance**

- 1) review how certain risks of the company have been mitigated by risk transfer strategies
- 2) review and analyse the extent to which any risk transfer strategies give rise to new risks which may be material
- 3) review the company's insurance arrangements including:
  - a) type of cover
  - b) scope of cover
  - c) duration of cover
  - d) adequacy of cover
  - e) cost of cover
  - f) terms and conditions of cover including exclusions and limitations
  - g) counterparty risk of insurer, including through engaging professional insurance broker services.

## **Related party transactions**

Review and monitor the propriety of related party transactions.

## **Corporate governance**

Assist the board to ensure appropriate corporate governance is in place with respect to the scope of its remit.

## **Other responsibilities**

- 1) Perform other activities related to this charter as requested by the board.
- 2) Institute and oversee special investigations as needed.
- 3) Review and assess the adequacy of this charter annually, requesting board approval for changes and ensure appropriate disclosure as may be required by law or regulation.
- 4) Confirm annually that all responsibilities outlined in this charter have been carried out.
- 5) Evaluate the ARC and individual member's performance regularly.

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