



**AUDIT AND RISK MANAGEMENT
COMMITTEE CHARTER**

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

1. MEMBERSHIP

- 1.1 The Audit and Risk Management Committee should be reconstituted annually by the Board.
- 1.2 A quorum shall be two members.
- 1.3 The Board will appoint the Committee Chair. The Chair of the Committee shall preside over the meetings of the Committee and may call special meetings, in addition to those regularly scheduled, and will report to the Board the actions and recommendations of the Committee.

2. OBJECTIVES

The Audit and Risk Management Committee has two principal objectives:

- Audit, Finance and Planning; and
- Compliance and Risk Management.

Audit, Finance and Planning Objectives:

- 2.1 Improve the credibility and objectivity of the accountability process (including financial reporting and management accounts reporting).
- 2.2 Assist the Board of Directors to discharge its responsibility to exercise due care, diligence and skill in relation to the Compass Group's:
 - reporting of financial information to users of financial reports;
 - application of accounting policies;
 - financial management;
 - internal control system;
 - business policies and practices;
 - compliance with applicable laws and regulations; and
 - monitoring and controlling business risk.
- 2.3 Provide a formal forum for communication between the Board of Directors and senior financial management.
- 2.4 Improve the efficiency of the Board of Directors by delegating tasks to the Committee where greater attention can be given to the task.
- 2.5 Improve the efficiency of the audit functions and the communication between

the Board of Directors and the auditors.

- 2.6 Improve the quality and integrity of internal financial reporting and management account reporting.
- 2.7 Ensure that systems of internal control are functioning effectively and economically and that these systems and practices contribute to their achievement of the Company's corporate objectives.
- 2.8 Receive and review reports from the external audit function and from the internal audit function. Direct follow-up action where considered necessary and monitor management's response to recommendations.

Compliance and Risk Management Objectives:

- 2.9 Assist the Board of Directors to discharge its responsibility to exercise due care, diligence and skill in relation to the Compass Group's:
 - assessing risks affecting the business and ensuring the risks identified are appropriately managed;
 - monitoring and controlling compliance programs; internal control systems;
 - business policies and practices;
 - compliance with applicable laws and regulations; monitoring and controlling business risk; and ensuring Directors are kept informed.
- 2.10 Provide a formal forum for communication between the Board of Directors, the CEO and Senior Management.
- 2.11 Improve the efficiency of the Board of Directors by delegating tasks to the Committee where greater attention can be given to the task.
- 2.12 Improve the quality and integrity of internal management controls, systems and management reporting.
- 2.13 Ensure that systems of internal control are functioning effectively and economically and that these systems and practices contribute to their achievement of the company's corporate objectives.

3. DUTIES AND RESPONSIBILITIES

The Audit and Risk Management Committee is authorised and directed to carry out the following duties and responsibilities.

Audit, Finance and Planning Functions:

External Reporting

- 3.1 Consider the appropriateness of the Compass Group accounting policies and principles and any changes to them, as well as the methods of applying them, ensuring that they are in accordance with the stated financial reporting framework.

- 3.2 Obtain satisfaction that the half year and annual financial statements reflect a true and fair view of the financial condition of the Compass Group and ascertain from the auditors whether there are any other matters they may wish to raise in connection with the audit and act as a forum for resolving any outstanding issues.
- 3.3 Discuss with management and the auditors, recent and prospective pronouncements and developments on accounting standards and any other legislative changes and review the potential impact of such pronouncements and developments on the Compass Group financial statements and financial management policies.
- 3.4 Assess significant estimates and business judgments in the financial reports by enquiring of management about the process used by management in making material accounting estimates and then enquire of the auditor the basis for the auditor's conclusion regarding the reasonableness of those estimates.
- 3.5 Review compliance with all related-party disclosures required by the Australian Accounting Standards, the Corporations Act 2001 and the Australian Stock Exchange.
- 3.6 Ensure that a comprehensive process has been established to capture issues for the purposes of continuous reporting.
- 3.7 Review documents and reports to regulators and make a recommendation to the Board on their approval or amendment.

Internal Controls, Finance, Management Reporting and Planning

- 3.8 Review and approval of strategic and business plans for the Company and the Compass Group.
- 3.9 Review and report to the Board on the consolidated Company budget and/or forecast.
- 3.10 Analyse financial information and performance relating to the budget and actual results, comparing variances from actual performance results to expected budget and taking appropriate action to deal with major negative variances.
- 3.11 Consideration of finance-related strategic issues e.g. debt/equity ratios, transparency of balance sheet, impact of acquisition of financial position.
- 3.12 Consideration of treasury-related matters e.g. currency exposure, debt facilities and cash forecasts.
- 3.13 Review and approval of financial reporting timetables.
- 3.14 Review all financial management reports and/or other management reports on the adequacy of the system of internal controls and risk management approach with particular concern for any weaknesses, qualifications or exceptions noted and where required managements response to these (in the absence of management where necessary).
- 3.15 Evaluate the process Compass Group has in place for assessing and continuously improving internal controls and management reporting, particularly those related to areas of significant risk.

External Auditors

- 3.16 Make recommendations on the appointment, remuneration and monitoring of the effectiveness and independence of the external auditor.
- 3.17 At the start of each audit period, review the terms of the engagement, scope and audit fee with external auditors.
- 3.18 Review with the external auditors their findings and recommendations, including interim audit reports and management's responses and actions to correct any noted deficiencies. The Audit and Risk Management Committee is to advise the Board of any issues of concern and the extent to which audit recommendations have been or are to be implemented.
- 3.19 Review all representation letters signed by management and ensure that the information provided is complete and appropriate.
- 3.20 Review any other matters relevant to the audit of the Compass Group accounts deemed necessary to ensure compliance with the applicable laws, regulations, standards and policies.

Compliance and Risk Management Functions:

Internal Controls, Compliance and Risk Management

- 3.21 Consider the appropriateness of the Compass Group compliance policies and principles and any changes to them, as well as the methods of applying them, ensuring that they are in accordance with the relevant Australian Standards.
- 3.22 Review documents and reports to regulators and make recommendations to the Board on their approval and amendment.
- 3.23 Assess the internal processes for determining and managing key risk areas, particularly:
 - litigation and claims;
 - non-compliance with laws and regulations, including the corporation law, trade practices laws, privacy laws and industrial relations laws; and
 - business risks other than those that are dealt with by other specific Board committees.
- 3.24 Ensure that the Compass Group has adequate risk management systems.
- 3.25 Ensure through a series of targeted operational, financial and managerial reviews that appropriate policies, procedures and controls are in place to provide reliability of manager records and proper safeguards of assets.
- 3.26 Review all management reports on the adequacy of the system of internal controls and risk management approach with particular concern for any weaknesses, qualifications or exceptions noted and where required managements response to these (in the absence of management where necessary).

- 3.27 Evaluate the process the Compass Group has in place for assessing and continuously improving internal controls and systems, particularly those related to areas of significant business risk.
- 3.28 Assess whether management has controls and systems in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
- 3.29 Evaluate the adequacy of the current Code of Conduct, practice and ethical standards; assist in its overseeing and review compliance with it.

4. **AUTHORITY**

- 4.1 The Board authorises the Audit and Risk Management Committee to act in a non-executive role to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 4.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outside parties with relevant experience and expertise, if it considers this necessary.
- 4.3 Subject to Board approval, to do such other things and take such other actions as are necessary or prudent to fulfill the responsibilities of the Committee.
- 4.4 Undertake other related activities referred to the Audit and Risk Management Committee by the Board.

5. **ADMINISTRATION OF THE COMMITTEE**

- 5.1 To seek the assignment, secondment or appointment of administrative personnel necessary to assist the Committee in performing its responsibilities.
- 5.2 The Chief Financial Officer and a representative of the external auditors shall normally attend meetings. Other Board members and the Chief Executive Officer shall also have the right of attendance. However, at least once a year, the Committee shall meet with the external auditors without executive Board members present.
- 5.3 Chairman of the Audit and Risk Management Committee should report formally to the Board of Directors to provide a summary of the Audit and Risk Management Committee's work, deliberations and results.
- 5.4 The Company Secretary or such other person as the Board may appoint shall be the designated Secretary to facilitate the administrative functions of the Committee.
- 5.5 The responsibilities of the Company Secretary include preparing and sending notices of meetings and agendas, recording the minutes of meetings of the Committee and performing any other administrative duties deemed necessary by the Committee.

6. MEETINGS

6.1 The Audit and Risk Management Committee will establish a timetable for regular meetings which shall be held not less than four times a year.

6.2 It is common for a Committee to hold the following meetings:

- A meeting to review the six monthly accounts and review management reports and external audit reports on the results and adequacy of the system of internal controls and risk management approach.
- An interim meeting to review accounting policies, management judgments, management reports and external audit reports in preparation for the year end results.
- A meeting to examine the annual financial statements, annual report, specific disclosure requirements and accounting policies. Formulate a recommendation to the Board regarding the adoption of the financial statements.
- A meeting to approve the program for the evaluation of the system of internal controls and selected target reviews, approve reports from external auditors and agree the terms, scope and audit fee of the next periods audit engagement.
- Such additional meetings as may be required at the discretion of the Committee or the direction of the Board.

6.3 External and internal auditors shall be invited to attend Committee meetings as appropriate, as many managers of the company as required.

6.4 Other Board members are invited to attend meetings of the Committee in an unofficial capacity.

6.5 Minutes shall be circularised to all members of the Committee as soon as practicable after each meeting and thereafter to all members of the Board and external auditors.

7. MEETINGS AGENDA

7.1 The Committee at each of the regularly scheduled meetings should consider the following matters. A detailed agenda for the meetings to be held in February, May, August and November has been prepared and is attached as Appendix A.

- Review and approve minutes of the previous meeting.
- Review of reports and results of current examinations performed by the management and external auditors, the response of management of the Company and any corrective actions taken, as deemed appropriate.

- Invite management and the auditors, where necessary, to discuss any current pronouncements, opinions, and developments on accounting standards and regulatory matters which could affect the Company.
- Review with management and the auditors the annual financial statements and information contained in the annual and half year reports where considered appropriate.
- The formulation of reports and recommendations to the Board.
- Perform such other functions and consider such other matters deemed necessary by the Committee to fulfill its duties and responsibilities.

8. **REVIEW OF THE AUDIT AND RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE**

The Committee shall review the continuing relevance of these Terms of Reference on an annual basis. Where changes are deemed necessary they will be submitted to the Board of Directors for endorsement.

APPENDIX A

Proposed Agenda for February, May, August and November meetings of the Audit Committee

February

Prior to the announcement of the Half Year Results

1 External Reporting

(a) Accounting Policies and Management Judgment

Consider the appropriateness of the accounting policies and principles and any significant estimates or management judgments made.

(b) Results for the Period

Review the results, statements from management and the external auditor's Audit Committee Report.

(c) Stock Exchange Announcement

Review the form and content of the stock exchange announcement and any attached notes that will be lodged with the ASX.

(d) Media Release

Consider the form and content of any media release to accompany the announcement.

(e) Directors Report

Consider the form and content of the Directors Report ensures all matters raised are complete and accurate.

(f) Continuous Disclosure

Consider the steps taken to ensure compliance with continuous disclosure requirements.

(g) Accompanying Presentations or Announcements

Review the form and content of any shareholders reports or presentations prepared for issue at the time of the announcement.

(h) Recommendations

Formulate a recommendation to the full Board regarding approval of the financial statements.

Consider management's recommendation for the level of the interim dividend to be paid and formulate a recommendation to the full Board.

2 Internal Controls and Risk Management

(a) Review Reports from Management Covering

- Chief Executive's Report
- Statement of Legal Compliance
- Human Resources Board Report
- Information Technology Board Report
- Risk Management Report

(b) Review Reports from Auditors Covering

- Internal Control Reviews for the period
- External Auditors Board Report

May

Preparation for Full Year Results and Control Review

1 External Reporting:

(a) Accounting Policies

Confirm the format and accounting policies to be used in succeeding annual financial statements, taking into account any changes in legal or professional requirements, current practices and any unusual or significant transactions within the company.

(b) Annual Report Project

Confirm the establishment of an Annual Report Committee responsible for the coordination of all parties involved in the production of the Annual Report. Monitor progress of this committee.

(c) Corporate Governance

Review the draft Statement of Corporate Governance for completeness and accuracy.

(d) Remuneration Report

Review the draft Remuneration Report for completeness and accuracy.

(e) Related Parties

Review the procedures designed to identify all related party transactions.

(f) Directors Information

Review the procedures designed to identify and report all related director information.

2 Internal Controls and Risk Management

(a) Internal Audit Reports

Receive reports on the operation of internal controls throughout the period since that last Control Review Meeting. Monitor action taken by management in responding to recommendations.

(b) Review Reports from Management Covering:

- Chief Executive's Report;
- Chief Executive Officer and Chief Financial Officer Declaration;
- Chief Executive Officer and Chief Financial Officer Declaration;
- Statement of Legal Compliance;
- Human Resources Board Report;
- Information Technology Board Report;
- Risk Management Report;
- Adequacy of Current Insurance Policies.

(c) Review Reports from External Auditors Covering:

- Target Review and Agreed upon Procedures;
- Review the external auditors' management letter and action taken by management to respond to the recommendations.

(d) Reports to Regulators

Review all reports to regulators and make recommendations to the Board on their approval.

August

Prior to Finalisation of the Annual Accounts

1 External Reporting

(a) Accounting Policies and Management Judgment

Consider the appropriateness of the accounting policies and principles and any significant estimates or management judgments made.

(b) Results for the Period

Review the results, statements from management and the external auditor's Audit Committee Report.

(c) Stock Exchange Announcement

Review the form and content of the stock exchange announcement and any attached notes that will be lodged with the ASX.

(d) Annual Report

Review the Annual Report comprising Financial Statements, Notes to the financial statements, Directors Report, Directors Declaration, Remuneration Report, Review of Operations and Corporate Governance Statement.

(e) Media Release

Consider the form and content of any media release to accompany the announcement.

(f) Directors Report

Consider the form and content of the Directors Report ensure all matters raised are complete and accurate.

(g) Review of Operations

Consider the form and content of the Review of Operations ensure all matters raised are complete and accurate.

(h) Corporate Governance

Consider the form and content of the Statement of Corporate Governance.

(i) Remuneration Report

Consider the form and content of the Remuneration Report to ensure all matters raised are complete and accurate.

(j) Related Party Disclosure

Consider the form and content of Related Party Disclosure, Directors Share Holdings, Directors Details, Remunerations and number of meetings attended.

(k) Continuous Disclosure

Consider the steps taken to ensure compliance with continuous disclosure requirements.

(l) Accompanying Presentations or Announcements

Review the form and content of any shareholders reports or presentations prepared for issue at the time of the announcement.

(m) Representations from Management

Review all representation letters signed by management to ensure information provided is complete and appropriate.

(n) Recommendations

Formulate a recommendation to the full Board regarding approval of the financial statements.

Consider management's recommendation for the level of the interim dividend to be paid and formulate a recommendation to the full Board.

2 Internal Controls and Risk Management**(a) Review Reports from Management Covering:**

- Chief Executive Officer's Report;
- Chief Executive Officer and Chief Financial Officer Declaration;
- Statement of Legal Compliance;

- Human Resources Board Report;
- Information Technology Board Report;
- Risk Management Report.

(b) Review Reports from Auditors Covering:

- Internal Control Reviews for the period;
- External Auditors Board Report

November

Post Annual Accounts and Planning Meeting

1 Internal Controls and Risk Management

(a) Approve the internal audit plan for the year

(b) Review Reports from Management Covering:

- Statement of Legal Compliance;
- Human Resources Board Report;
- Information Technology Board Report;
- Risk Management Report.

(c) Review Reports from Auditors Covering:

Internal Control Reviews for the period.

(d) Monitor management's progress in responding to the Auditor's recommendations.

2 External Audit

(a) Review the External Auditors arrangements for the next Financial year .

Approval of the Engagement Letter and Fees Letter.

(b) Review the external auditor's management letter.

Monitor action taken by management to respond to the recommendations.

(c) Target Reviews

Consider whether there are any areas and aspects of the operation which merit specific attention from external auditors.