

RUNGE LIMITED

ACN 010 672 321

Audit & Risk Committee Charter

Adopted by the Board on 11 April 2008



Audit & Risk Committee Charter

1. Establishment of the Committee

This document sets out the specific responsibilities delegated by the Board to the Audit & Risk Committee of Runge Limited ACN 010 672 321 (“**the Company**”) and provides support for the manner in which the Committee will operate.

2. Objectives and Purpose

The primary objective of the Audit & Risk Committee is to assist the Board to discharge its responsibilities with regard to the following areas:

- (a) monitor and review, on behalf of the Board, the effectiveness of the control environment in the Company in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting.
- (b) provide an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators, including overseeing the Company’s discharge of its responsibilities with respect to:
 - (i) the financial statements, financial report and annual report;
 - (ii) legal/regulatory compliance;
 - (iii) protection of the Company capital;
 - (iv) risk management systems,
 - (v) overseeing the Company’s relationship with external auditors; and
 - (vi) determining the independence of the external auditors.

The Committee meets and receives regular reports from its external auditors concerning matters that arise in connection with their audit. The Committee is also responsible for review of performance and nomination of the external auditors.

3. Committee’s responsibilities - Overview

The Committee’s overall responsibilities include:

- (a) overseeing the Company’s relationship with the external auditor (including forming a policy on the provision of non-audit services and the rotation of external auditor personnel on a regular basis) and the external audit function generally;
- (b) overseeing the adequacy of the control processes in place in relation to the preparation of financial statements and reports;
- (c) overseeing the adequacy of the Company’s financial controls and systems; and
- (d) overseeing the process of identification and management of business, financial and commercial risks (other than credit and trading (financial market) risk).



4. **Committee's responsibilities - Audit**

The Committee's specific function on audit is to review and report to the Board that:

- (a) the system of control, which management has established, effectively safeguards the assets of the Company;
- (b) processes are in place such that accounting records are properly maintained in accordance with statutory requirements; and
- (c) processes exist to reasonably guarantee that financial information provided to investors and the Board is accurate and reliable.

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

- (a) assessment of whether external reporting is consistent with Committee 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) recommending to the Board the appointment and removal of the external auditors and reviewing the terms of engagement;
- (e) approving the audit plan of the external auditors;
- (f) monitoring the effectiveness and independence of the external auditor;
- (g) obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;
- (h) providing recommendations to the Board as to the role of the internal auditor/internal audit function, if any and recommendations for the appointment or, if necessary, the dismissal of the head of internal audit;
- (i) reviewing and appraising the quality of audits conducted by the Company's external auditors and confirming their respective authority and responsibilities;
- (j) monitoring the relationship between management and the external auditors;
- (k) evaluating the adequacy, effectiveness and appropriateness of the Company's administrative, operating and accounting control systems and policies;
- (l) reviewing and evaluating controls and processes in place to ensure compliance with approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- (m) overseeing the Company's financial reporting and disclosure processes and the outputs of that process;
- (n) determining the reliability, integrity and effectiveness of accounting policies and financial reporting and disclosure practices;
- (a) reviewing (in consultation with management and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policy changes.



5. **Committee's responsibilities - Risk and Compliance**

The Committee's specific function with respect to risk management is to review and report to the Board 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;
- (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (d) proper remedial action is undertaken to redress areas of weakness.

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

- (a) evaluating the adequacy and effectiveness of the 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;
- (b) evaluating the adequacy and effectiveness of the Company's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors;
- (c) evaluating the structure and adequacy of the Company's own insurances on an annual basis;
- (d) reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Company's financial and operational risk management policies;
- (e) overseeing the establishment and maintenance of processes to ensure that there is:
 - (i) an adequate system of internal control, management of business risks and safeguard of assets; and
 - (ii) a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
- (f) evaluating the Company's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance;
- (g) reviewing the Company's main corporate governance practices for completeness and accuracy;
- (h) overseeing the proper evaluation of the adequacy and effectiveness of the Company companies' legal compliance control systems; and
- (i) providing recommendations as to the propriety of related party transactions.

6. **Structure of Committee Membership**

The structure of the committee is as follows:

- (a) The Committee shall be appointed by the Board and comprise not less than three directors or such number as determined by the Board.
- (b) As far as possible the Members of the Committee must be non-executive directors and a majority must be independent.
- (c) The current members are:
 - Ross Walker – Chairman
 - Vince Gauci
- (d) The Chairman should be an independent chair who is not chair of the Board.

7. **Expertise of Committee Membership**

Committee members, where possible, must:

- (a) have a sound knowledge of the Company's businesses, organisation structure and related policies and practices;
- (b) be financially literate (able to read and understand financial statements) and have sufficient financial knowledge and understanding to allow them to discharge their responsibilities;
- (c) have an appropriate understanding of corporate governance matters particularly in relation to Board and Director responsibilities and ASX Corporate Governance Principles and Recommendations;

The Committee should have at least one member with relevant qualifications and experience (i.e should be a qualified accountant or other finance professional with experience of financial and accounting matters) and have some members with an understanding of the industry in which the Company operates.

8. **Company Secretary**

The Company Secretary or his nominee will act as Secretary to the Committee, unless otherwise determined by the Committee.

9. **Proceedings**

Frequency:

- (a) The Committee will meet as frequently as required but must not meet less than four times each year.
- (b) The Secretary to the Committee or any member may call a meeting of the Committee.

Attendance:

Members of the Board, Company management or independent consultants may attend all or part of each meeting at the invitation of the Chairman, voting at Committee meetings being restricted to Committee members.

*Quorum:*

A quorum for a meeting shall be a minimum of 2 non-executive director Committee members. All meetings shall be conducted subject to an agenda circulated by the Chair or their nominee and incorporating any matters raised by other members of the Audit & Risk Committee or referred by the Board.

Chair:

In the absence of the Chair, the remaining members will elect one of their number as Chair of the meeting.

Minutes:

The Secretary shall maintain minutes of all meetings of the Audit & Risk Committee. The minutes shall be signed by the Chairman. The minutes should be included in the papers for the next full Board meeting after each Committee meeting.

Non-Consensus:

Where the Committee is unable to reach consensus on a matter, the Chairman of the Committee will report this to the Chairman of the Board. The Chairman of the Board will determine whether it is appropriate that the matter be resolved by the Board or by obtaining independent advice.

10. Authorities*Access:*

The Committee has unrestricted access to executive management, all employees and all company records and to financial and legal advisers and rights to seek explanations and additional information and access to auditors, internal and external, without management present.

Independent Advice:

The Committee, or any individual member, with the approval of the Chairman of the Board, is entitled to obtain independent professional or other advice at the expense of the Company where they consider it necessary to carry out their duties.

11. Reporting

The Chairman of the Audit & Risk Committee shall report to the Board subsequent to each Committee meeting.

Annual General Meeting and Annual Report

- (a) the Chairman or their nominee must attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities and areas of responsibility.
- (b) the Annual Report should disclose names and qualifications of members of the audit committee and their attendance at these meetings and the number of meeting held.
- (c) Audit Committee charter to be posted to the Company's website together with information on the procedures for the selection and appointment of the external auditor and rotation of external audit partners.
- (d) the Audit & Risk Committee is responsible for review and approval of any disclosures in the Company's annual report regarding the Committee, its activities and performance.

12. **Terms of Reference Review**

The Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board, at a meeting to be decided each calendar year. It must recommend to the Board any suggested changes in the duties and responsibilities of the Committee and the terms of reference.

13. **Privacy**

The Committee recognises that all personal information provided to members is subject to applicable privacy legislation.