

# **Audit & Risk Management Committee Charter**

**Midway Limited**

**ABN 44 005 616 044**

**(the Company)**

**Adopted by the Board on 26 August 2020**

# Audit & Risk Management Committee Charter

## Midway Limited (the Company)

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### 1. Introduction

#### 1.1 Purpose of Charter

This is the Charter of the Audit & Risk Management Committee (**Committee**) established by the board of the Company (**Charter**). It sets out the Committee's role and responsibilities, composition, structure and membership requirements.

#### 1.2 Purpose of Committee

The Committee has been established to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the financial reports, financial reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process of the Company and its related bodies corporate (the **Group**). Accordingly, the Committee will meet on a regular basis to review and make recommendations to the Board in relation to:

- (a) the adequacy of the Company's corporate reporting processes and internal control framework;
- (b) whether the Company's financial statements reflect the understanding of the Committee members, and otherwise provide a true and fair view, of the financial position and performance of the Company ;
- (c) the appropriateness of the accounting judgements or choices exercised by management in preparing the Company's financial statements;
- (d) the appointment or removal of the external auditor;
- (e) the fees payable to the auditor for audit and non-audit work;
- (f) the rotation of the audit engagement partner;
- (g) the scope and adequacy of the external audit;
- (h) the independence and performance of the external auditor;
- (i) any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- (j) if the Company has an internal audit function, the appointment or removal of the head of internal audit, the scope and adequacy of the internal audit work plan, and the independence, objectivity and performance of the internal audit function;
- (k) monitor management's performance against the Company's risk management framework, including whether it is operating within the risk appetite set by the Board;
- (l) review any material incident involving fraud or a break-down of the Company's risk controls and the "lessons learned";
- (m) receive reports from any internal audit function on its reviews of the adequacy of the Company's processes for managing risk;

- (n) receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
- (o) make recommendations to the Board in relation to changes that should be made to the Company's risk management framework or to the risk appetite set by the Board; and
- (p) oversee the Company's insurance program, having regard to the Company's business and the insurable risks associated with its business.

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## 2. Membership

### 2.1 Composition of committee

The Committee will:

- (a) comprise only members of the Board of Directors (**Directors**) and members will be appointed and removed by the Board;
- (b) be of sufficient size, independence and technical expertise to discharge its mandate effectively;
- (c) consist of to the extent practicable given the size and composition of the Board from time to time:
  - (i) at least three members;
  - (ii) only non-executive directors;
  - (iii) where practicable a majority of independent<sup>1</sup> directors (**Independent Directors**); and
  - (iv) an independent<sup>2</sup> Chairperson, who will be nominated by the Board from time to time, but who will not be the Chairperson of the Board;
- (d) comprise members who are financially literate (as in, members who are able to read and understand financial statements); and
- (e) include at least one member who has accounting and/or related financial management expertise (as in, a member who is a qualified accountant or other financial professional with experience of financial and accounting matters) and some members who have an understanding of the industries in which the Group operates.

While the Company will aim to have a Committee of at least the size and composition outlined above, this may not always be practicable given the size of the Board and the circumstances of the Group. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Committee from time to time.

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<sup>1</sup> Independent, as defined by the ASX Corporate Governance Council. See schedule to this Charter.

<sup>2</sup> See note 1

## 2.2 Secretary

- (a) The Committee will have a secretary, which is to be the Company Secretary or such other person as nominated by the Board (**Committee Secretary**).
- (b) The Committee Secretary will attend all Committee meetings.
- (c) The Committee Secretary, in conjunction with the Chairperson of the Committee, must prepare an agenda to be circulated to each Committee member a reasonable period prior to each meeting of the Committee.

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## 3. Meetings & authority of committee

### 3.1 Meetings

- (a) The Committee will meet often enough to undertake its role effectively, being at least two times each calendar year.
- (b) The quorum for any meeting will be 2 members.
- (c) Special meetings may be convened as required. The Chairperson will call a meeting of the Committee if requested to do so by any member of the Committee, by the external auditors or by the Chairperson of the Board.
- (d) The Committee may invite such other persons (for example, staff, Managing Director/CEO, CFO, external parties) to its meetings, as it deems necessary, whether on a permanent or ad hoc basis.
- (e) The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each Committee meeting.
- (f) The Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the *Corporations Act 2001* (Cth) (**Act**).
- (g) Committee meetings may be held by any technological means allowing its 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 participating by technological means is taken to be present.

### 3.2 Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- (a) investigate any matter brought to its attention with full access to all books, records and facilities;
- (b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties;
- (c) obtain external accounting, legal, insurance, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
- (d) ensure the attendance of Group officers at meetings as it thinks appropriate.

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## 4. Duties and responsibilities

### 4.1 External financial reporting

The Committee is responsible for:

- (a) recommending for adoption by the Board interim and final financial reports and the annual report;
- (b) reviewing documents and reports to regulators and recommending to the Board their approval or amendment; and
- (c) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters.

### 4.2 Risk management and internal control

The Committee is responsible for:

#### Risk management and internal compliance and control systems

- (a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;
- (b) annually reviewing and updating the risk management framework;
- (c) assessing the adequacy of the internal risk control system with management and internal and external auditors;
- (d) monitoring the effectiveness of the internal risk control system;
- (e) ensuring the risk management system takes into account all material risks, including risks arising from:
  - (i) implementing strategies (strategic risk);
  - (ii) operations or external events (operational risk);
  - (iii) legal and regulatory compliance (legal risk);
  - (iv) changes in community expectation of corporate behaviour (reputation and conduct risk);
  - (v) a counterparty's financial obligations within a contract (credit risk);
  - (vi) changes in financial and physical market prices (market risk);
  - (vii) being unable to fund operations or convert assets into cash (liquidity risk);
  - (viii) digital disruption;
  - (ix) cyber security;
  - (x) privacy and data breaches; and
  - (xi) sustainability and climate change.

- (f) assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk;

### **Key financial risk**

- (g) assessing and prioritising the areas of greatest potential financial risk, including:
  - (i) safeguarding assets;
  - (ii) litigation and claims;
  - (iii) non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss;
  - (iv) important judgments and accounting estimates; and
  - (v) maintenance of proper accounting records;
- (h) assessing the internal process for determining areas of greatest potential financial risk;
- (i) assessing and monitoring the management of areas of greatest potential financial risk;
- (j) reporting to the Board on the adequacy of the financial risk management;

### **Legal and regulatory risk**

- (k) assessing and prioritising the areas of greatest legal and regulatory risk;
- (l) assessing the internal process for determining, monitoring and managing areas of greatest legal and regulatory risk;
- (m) receiving reports from management of any actual or suspected fraud, theft or other breach of the law;
- (n) monitoring compliance with legal and regulatory obligations;
- (o) reporting and making recommendations to the Board regarding:
  - (i) the management of areas of greatest legal and regulatory risk (including fraud and theft); and
  - (ii) compliance with legal and regulatory obligations;
- (p) receiving and reviewing reports from the senior compliance manager;

### **Disclosure and reporting**

- (q) ensuring management establishes a comprehensive process to capture information that must be disclosed to ASX;
- (r) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);

- (s) assessing management's processes for ensuring non-financial information in documents (both public and internal) does not conflict inappropriately with financial reports and other documents;
- (t) assessing internal control systems relating to the release of potentially adverse information; and
- (u) reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

### **4.3 Other responsibilities**

The Committee is responsible for:

- (a) overseeing the implementation of the Group's corporate code of conduct and assessing compliance with it;
- (b) overseeing the implementation of the Group's code of conduct for directors and senior executives of and assessing compliance with it;
- (c) assessing and recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to directors' and officers' liability, company reimbursement, professional indemnity, crime, special accident and trustees liability;
- (d) if it considers appropriate, investigating any complaint or allegation made to it;
- (e) reporting to the Board on any industry development affecting the control environment;
- (f) reviewing and monitoring any related party transaction and recommending its approval; and
- (g) ensuring the audit, risk management and compliance policies and procedures are adequately documented and that those documents are reviewed and updated for any legal and regulatory developments.

### **4.4 Compliance with Laws and Regulations**

The Committee will:

- (a) gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis;
- (b) obtain regular updates from management, the Group's legal counsel, auditors and any external parties as it thinks fit regarding audit, risk management and compliance matters and regularly review existing compliance systems and consider any deficiencies in compliance risk measures;
- (c) review any legal matters which could significantly impact the Group's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports;
- (d) review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance;
- (e) be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents; and

- (f) review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.

#### **4.5 Review of media releases, announcements and complaints**

The Committee will:

- (a) review and discuss media releases, ASX announcements and any other information provided to the market in relation to the Company's financial results;
- (b) review all representation letters signed by management to ensure that the information provided is complete and appropriate;
- (c) establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- (d) review corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duties.

#### **4.6 Committee performance**

- (a) The Board will evaluate the performance of the Committee as appropriate.

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### **5. Other matters**

#### **5.1 Amendment of Charter**

This Charter can only be amended with the approval of the Board.

#### **5.2 Adoption of Charter and periodic review**

This Charter was adopted by the Board on 26 August 2020 and takes effect from that date and replaces any previous charter in this regard.

The Committee must review and reassess this Charter and the Risk Management Policy at least every three years and, on each occasion, obtain the approval of the Board to any amendments to the Charter or Risk Management Policy.



## Schedule

### **Independence as defined by the ASX Corporate Governance Council in their Corporate Governance Principles and Recommendations (4th edition)**

An independent director is a non-executive director who is not a member of management, and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement and to act in the best interests of the Company and its security holders generally.

The corporate governance guidelines provide certain criteria for assessing the independence of directors and outline relationships which may affect independent status. They provide that when determining the independent status of a director the board should consider whether the director:

1. is, or has been, employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
2. receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
3. is, or has been within the last three years, in a material business relationship (e.g. such as a supplier, professional adviser, consultant or customer) with the Company or other group member, or is an officer of, or otherwise associated directly or indirectly with, someone with such a relationship;
4. is, represents, or is or has been within the last three years an officer or employee or, or professional adviser to, a substantial shareholder of the Company;
5. has close personal ties with any person who falls within any of the categories described above; or
6. has been a director of the Company for such a period that his or her independence may have been compromised.