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Charter of the Audit and Risk Management Committee

Recce Pharmaceuticals Limited
ACN 124 849 065

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(Company)

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1. Introduction

- 1.1 This Charter governs the roles, responsibilities, composition and membership of the audit and risk management committee (**Committee**) of the Company.
- 1.2 The operation of the Committee is also governed, where applicable, by the constitution of the Company.

2. Objectives

2.1 Audit and Risk

The purpose and duties of the Committee is to provide advice and make recommendations to the board of directors of the Company (**Board**) regarding fulfilling its statutory, fiduciary, corporate governance and oversight responsibilities by:

- (1) monitoring and reviewing:
 - (a) the quality and integrity of the Company's financial statements, accounting policies and financial reporting and disclosure practices;
 - (b) the effectiveness and adequacy of internal financial controls;
 - (c) compliance with all applicable laws, regulations and company policy;
 - (d) the performance, independence, objectivity and competency of the Company's external auditors;
 - (e) the policies on risk oversight and management; and
 - (f) the risk, the risk management and compliance practices of the Company.
- (2) making recommendations to the Board in relation to the appointment and removal of external auditors and approving the remuneration and terms of their engagement.
- (3) acting in all ways, in the best interest of the company.

3. Composition

3.1 Members

The Board will strive to adhere to the following composition requirements for the Committee where at all possible. However the Board acknowledges that the composition of the Board may not allow adherence to the following composition requirements from time to time.

- (1) The Committee should have a minimum of 3 members.

- (2) A majority of the members of the Committee should be independent non-executive Directors, one of whom will be appointed the Committee Chairman.
- (3) The members of the Committee will be appointed and removed by the Board.

3.2 Expertise

Each member of the Committee must be able to read and understand financial statements.

Members of the Committee should have an appropriate level of understanding of the principles of:

- (1) the principles of corporate governance, including knowledge of the Australian Securities Exchange Limited's (**ASX**) Good Corporate Governance Principles and Recommendations;
- (2) the Company's businesses and organisation structure and dynamics;
- (3) the functions of the Board and the various roles and responsibilities of directors and other key executive positions;
- (4) Company management, at a senior management level; and
- (5) the disclosure requirements under the *Corporations Act 2001* and the ASX Listing Rules in respect to executive and director remuneration.

3.3 Chair and Secretary

The Board will appoint a non-executive to chair the Committee (**Chair**). The Chair should not be the chair of the Board.

The Board will appoint a suitably qualified person to act as secretary of the Committee (**Secretary**).

- (1) The Secretary will be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members and to the other members of the Board; and
- (2) The Secretary shall distribute supporting papers for each meeting of the Committee as far in advance as possible, and preferably 7 days prior to the meeting.

3.4 Liaison

The principal liaison with the Committee will be the Board.

4. Meetings

4.1 Frequency

The Committee will meet as frequently as required but must, at a minimum, meet 3 times a year.

The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee or the Board of the Company.

4.2 Agenda and notice

The Secretary will be responsible, in conjunction with the Chair, for drawing up the

agenda (supported by any necessary explanatory documentation) and circulating it to Committee members prior to each meeting. The Secretary must notify members of the Committee of the date, time and location of Committee meetings as far in advance as possible, but not less than 3 days before the meeting.

4.3 Quorum

A quorum for Committee meetings will be at least 2 members, save that 1 of the members of the quorum should be an independent director.

4.4 Minutes

The Secretary is responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable, preferably within 7 days following the meeting.

4.5 Attendance

The Committee may invite any person to attend part or all of any meeting of the Committee as it considers appropriate. Voting at Committee meetings is restricted to Committee members.

5. Objectivity

- 5.1** The Committee has direct and unlimited access to all resources necessary to discharge its duties and responsibilities, including engaging counsel or other experts, both external and internal, as it considers appropriate.
- 5.2** Management must supply the Committee with information in a form, timeframe and of a quality that will enable the Committee to effectively discharge its duties.
- 5.3** The Committee must ensure that it obtains sufficient information to enable it to make informed decisions with respect to the advice and recommendations it provides to the Board. This may include conducting or directing an investigation.

6. Powers

6.1 Access

The Committee, acting reasonably, has access to management, internal and external auditors and all Company records for the purpose of carrying out its responsibilities under this Charter.

The Committee, acting reasonably, must be provided with all necessary access to the internal audit function without the presence of management.

The Committee may meet with external auditors, in the absence of management, as often as required, but not less than once a year.

6.2 Investigations

The Committee, acting reasonably, has the power:

- (1) to conduct investigations it considers necessary; and
- (2) seek explanations and additional information.

The Committee, acting reasonably, has the power to engage independent experts it requires to help it fulfil its duties. Costs associated with this should be quoted in advance and approved by the Committee Chair in order to be borne by the Company.

6.3 Delegated from the Board

The powers of the Committee, unless specifically excepted by written resolution of the Board of Directors, do not include executive powers outside of the Committee, and are limited to only giving recommendations or advice to the Board.

7. Responsibilities

7.1 Risk oversight and management policies

The Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of risk oversight and management policies that set out the roles and respective accountabilities of the Board, the Committee, management and the internal audit function.

The policies should cover the areas of oversight, risk profile, risk management, compliance and control and assessment of effectiveness.

7.2 Risk management and risk profile

The Committee is responsible for:

- (1) maintaining an up-to-date understanding of areas where the Company is, or may possibly be, exposed to risk and compliance issues and give advice and recommendations to the Board that management is effectively managing those issues;
- (2) reviewing the adequacy and effectiveness of the Company's policies and procedures which relate to risk management and compliance;
- (3) making recommendations to the Board on the appropriate risk and risk management reporting requirements to the Board and this Committee;
- (4) providing advice to the Board and, if applicable, the chief executive officer on relevant corporate level performance indicators and targets for risk management and compliance activities;
- (5) undertaking on-going review of risk management policy and underlying strategies and procedures to ensure its continued application and relevance;
- (6) if considered necessary by the Committee, establishing a periodic and independent review of the implementation and effectiveness of the risk management policy to provide objective feedback to the Board as to its effectiveness;
- (7) receiving and considering reports on risk management and compliance programs and performance against policy and strategic targets;
- (8) reviewing the adequacy of the Company's insurance coverage; and
- (9) examining any matters referred to it by the Board.

7.3 Internal audit function

The Board may, at an appropriate time, establish an internal audit function whose purpose is to analyse the effectiveness of:

- (1) the Company's risk management and internal compliance and control system; and
- (2) the implementation of the Company's risk management and internal compliance and control system.

7.4 Internal auditors

If and when an internal audit function is established, the responsibilities of the Committee include:

- (1) reviewing the results and effectiveness of the internal audit programs;
- (2) recommending the scope of the internal audit for Board approval;
- (3) reviewing and approving the appointment and dismissal of senior internal audit executives;
- (4) ensuring the internal audit function is independent of the external auditor;
- (5) ensuring that the internal audit function has all necessary access to management and the right to seek information and explanations;
- (6) receiving summaries of significant reports to management prepared by internal audit, the management response and the recommendations of internal audit;
- (7) ensuring no management or other restrictions are placed on the internal auditors; and
- (8) ensuring the internal auditors are adequately resourced.

7.5 External auditors

The responsibilities of the Committee include:

- (1) providing a link between the external auditors and the Board;
- (2) reviewing the performance and independence of the external auditors;
- (3) reviewing procedures for the selection and appointment of external auditors;
- (4) reviewing and providing recommendations on the rotation of external audit engagement partners;
- (5) recommending the appointment, remuneration and terms of engagement of the external auditors;
- (6) recommending the scope of the external audit for Board approval;
- (7) reviewing and providing oversight of audit reports prepared and issued by the external auditors;
- (8) recommending that inappropriate management or other restrictions are not placed on the external auditors; and
- (9) recommending what non-audit services are to be provided by the external auditor.

7.6 Review of financial reports

Duties of the Committee include:

- (1) reviewing financial statements for accuracy, adequacy and clarity and ensuring they reflect a true and fair view as a basis for recommendation to and adoption by the Board including without limitation, requiring the chief executive officer and Chief Financial Officer making signed and written declarations that:
 - (a) the financial records for the financial year have been correctly maintained;
 - (b) the financial statements and notes for the financial year comply with the relevant accounting standards;
 - (c) the financial statements and notes for the financial year give a fair and true view of the financial position and performance of the Company; and
 - (d) any other matters in relation to the financial statements that are materially relevant;
- (2) ensuring financial statements comply with accounting standards and policies and the requirements of the ASX Listing Rules and the *Corporations Act 2001*;
- (3) reviewing accounting policies adopted and any changes made to them;
- (4) reviewing management processes supporting external reporting;
- (5) discussing any significant matters arising from the audit, management judgments and accounting estimates with management and internal and external auditors; and
- (6) reviewing, and where necessary challenging, the actions and judgment of management in relation to all financial reports.

8. Reporting

8.1 Reporting to the Board

The Committee must report to the Board after each Committee meeting as to the outcomes of the Committee's reviews and recommendations and any other material matters arising out of the meeting. Minutes of the Committee meetings must be included in the papers for the next Board meeting subsequent to each Committee meeting.

The Committee must report to the Board, at least once per year, on all of the detail of residual critical risks that remain, and periodically report on all of the detail of any residual risks that due to changed inputs has become critical.

8.2 Annual report

The Committee must provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance section of the Company's annual report which relates to the Company's audit and risk policies and practices and any matter with respect to risk management required to be included in the annual report by the *Corporations Act 2001* and the ASX Listing Rules.

8.3 Public availability of materials

The Committee must monitor that a copy of this Charter is made publicly available.

9. Review of the Charter

9.1 The Committee will conduct an annual review of this Charter, the Committee's

composition and its performance and effectiveness and make recommendations to the Board if it considers appropriate.

9.2 The Charter will be made available on the Company's website.