

# Audit Committee Charter

**Estia Health Limited ACN 160 986 201 (Company)**

**Approved by the Board on 12 May 2020**

# Audit Committee Charter

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## 1 Purpose and authority

### 1.1 Purpose

The purpose of this Audit Committee Charter is to specify the authority delegated to the Audit Committee (**Committee**) by the Board of Directors of the Company (**Board**) and to set out the role, responsibilities, membership and operation of the Committee.

### 1.2 Authority

The Committee is a committee of the Board established in accordance with the Company's constitution and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this charter and under any separate matters granted to it by the Board from time to time. Whilst granting this power, the Board retains overall responsibility for the functions delegated by it to the Committee.

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## 2 Role of the Committee

The role of the Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- (a) the integrity of the Company's corporate reporting processes and financial statements, and the integrity and effectiveness of the internal control environment of the Group;
- (b) accounting and tax and related policies;
- (c) the appointment, remuneration, independence and competence of the Company's external auditors and the internal auditors where that is a co-sourced or outsourced function; and
- (d) the performance of the Company's internal and external audit functions and review of their audits.

The Committee aims to bring transparency, focus and independent judgment to these roles. It will report regularly to the Board on matters relevant to these roles and responsibilities, and as required to satisfy applicable *Corporations Act 2001* (Cth) and ASX Listing Rule requirements.

The Company's Risk Management Committee will be responsible for ensuring that non-financial risk management processes are being adhered to and that the appropriate treatments and controls are being maintained for all identified non-financial risks. The Committee will refer to the Risk Management Committee any matters that have come to the attention of the Committee that are relevant for the Risk Management Committee, and liaise with the Risk Management Committee in respect of such matters as necessary.

Any issues of demarcation between the responsibilities of the Risk Management Committee and the Audit Committee will be resolved by Chairs of the two Committees or, if agreement cannot be reached, by the Board.

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## 3 Audit responsibilities

### 3.1 Corporate reporting

The Committee is responsible for:

- (a) reviewing management's processes for compliance with laws, regulations, adherence to accounting standards and other requirements relating to the preparation of accounts and corporate reporting by the Company of financial and non-financial information;
- (b) reviewing and assessing the appropriateness of material estimates, accounting judgements and significant choices exercised by management in preparing the Company's financial reports by examining the processes used and seeking verification from internal and external auditors;
- (c) overseeing the review of financial reports and reviewing the results of external audits of these reports;
- (d) reviewing the effectiveness and adequacy of the Company's corporate reporting processes and related internal control systems;
- (e) assessing (before publication) whether external reporting is consistent with the understanding of the Committee members' and otherwise provide a true and fair view of the financial position and performance of the Company;
- (f) assessing the consistency of lodged financial information with the statutory financial statements;
- (g) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the Company and making recommendations to the Board on their approval or amendment;
- (h) ensuring that a comprehensive process is established to capture issues for the purpose of continuous reporting to ASX;
- (i) assessing information from internal and external auditors which is significant for the financial reports;
- (j) asking the external auditor for an independent judgment about the appropriateness of the accounting principles and policies adopted by management and the clarity of financial disclosure practices used by the Company,
- (k) assessing solvency and the going concern assumption;
- (l) recommending to the Board whether the financial statements should be signed based on the Committee's assessment of them;
- (m) reviewing the completeness and accuracy of the Company's Corporate Governance Statement as required by the ASX Listing Rules;
- (n) reviewing climate related financial disclosures in the Annual Report;
- (o) reviewing the disclosure of the process used to verify the integrity of any periodic corporate report released to the market which is not audited or reviewed by an external auditor;
- (p) overseeing that appropriate risk management and internal control processes are in place to form the basis upon which the CEO and CFO make their declarations to the Board under section 295A of the *Corporations Act 2001*

(Cth) and Principle 4 of the ASX Corporate Governance Principles and Recommendations;

- (q) reviewing the risk profile for the Company (prepared by the Risk Management Committee) in respect of financial matters and financial reporting risks; and
- (r) reviewing and assessing the effectiveness of the Company's IT finance systems, and meeting at least semi-annually with the Chief Financial Officer and/or Head of IT to understand the Company's IT environment as it relates to finance systems.

### 3.2 External audit

The external audit is fundamental to the process to independently verify and safeguard the integrity of the Company's corporate reporting. The Committee oversees the external auditor's role in the corporate reporting process and makes recommendations to the Board regarding the external audit.

In particular, the Committee is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (b) making recommendations to the Board on the rotation of the audit engagement partner;
- (c) agreeing the terms of engagement of the external auditor before the start of each audit;
- (d) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (e) monitoring the effectiveness and independence of the external auditor, and assessing their performance on an annual basis;
- (f) reviewing the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations;
- (g) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence by reports to the Committee on at least a six-monthly basis and, if required, developing policies for Board approval to ensure this does not occur;
- (h) making recommendations to the Board on the removal of the external auditor;
- (i) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (j) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (k) reviewing the scope and adequacy of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (l) raising with the external auditor any specific points of divergence with the Company's management;

- (m) monitoring and examining management's response to the external auditor's findings and recommendations;
- (n) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate;
- (o) meeting at least annually with key management, external auditors and compliance staff to understand the Company's control environment and disclose, in relation to each reporting period, whether such a review has taken place;
- (p) meeting with the external auditor without management present at least once a year;
- (q) reviewing the process and controls which management has in place in relation to significant financial risks;
- (r) reviewing the relationship between management, the external auditor and the internal audit function;
- (s) review external auditor reports that highlight significant items/risks, for subsequent reporting to the Board; and
- (t) meeting with the external auditor regarding any restriction in non audit scope.

### 3.3 Internal audit

The aim of the internal audit function is to bring a systematic approach to evaluating and improving the effectiveness of the Company's governance, risk and internal controls. The Committee's role is to oversee the effectiveness, independence and objectivity of the internal audit and report to the Board in relation to the internal audit.

In particular, the Committee is responsible for:

- (a) overseeing the Company's internal audit function generally;
- (b) examining and evaluating the effectiveness of the internal control system with auditors and making improvements;
- (c) approving the appointment, terms of engagement and removal of the head of internal audit;
- (d) arranging for the internal auditor to report directly to the Board and the Committee;
- (e) overseeing the performance and objectivity of the internal audit function and having access to the internal audit function without management present;
- (f) the co-ordination of the internal auditor with the external auditor;
- (g) review the proposed internal audit plan for the coming year and ensure that it addresses key areas of risk and that adequate resources have been assigned;
- (h) evaluating the effectiveness of the internal audit plan and work program, and considering the implications of internal audit findings;
- (i) evaluating management's responsiveness to the internal auditor's findings and recommendations;
- (j) consulting with the Estia Health Risk Management Committee regarding the scope and coverage of the internal audit plan; and

- (k) obtaining feedback from management and the external auditor on an annual basis about the effectiveness of the internal audit function.

### **3.4 Related party transactions**

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

### **3.5 Tax**

The Committee is responsible for:

- (a) overseeing tax risk management;
- (b) monitoring compliance to key taxation changes;
- (c) reviewing and recommending to the Board the Board Tax Policy;
- (d) assessing and making recommendations to the Board in relation to appropriate tax risk tolerance; and
- (e) reviewing the adequacy and effectiveness of the Company's Group Tax Risk Framework, including policies, processes and procedures, and making recommendations to the Board.

### **3.6 Aged Care Act – Prudential Standards**

The Committee is responsible for:

- (a) monitoring compliance with Fees and Payments Principles under the Aged Care Act.

### **3.7 Debt Facilities**

The Committee is responsible for:

- (a) reviewing management recommendations on debt portfolio construction and capital strategy, taking into consideration liquidity and financial risk management;
- (b) reviewing management's recommendations in relation to existing debt facilities; and
- (c) reviewing and assessing the appropriateness and independence of management's relationships with key financiers.

### **3.8 Internal Control**

The Committee is responsible for:

- (a) providing an objective review of the effectiveness of the Company's internal control environment, both from an accounting and tax perspective; and
- (b) overseeing the resolution of reported internal control deficiencies.

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## **4 Membership**

### **4.1 Composition and size**

The Committee will consist of:

- (a) only Non-executive Directors;

- (b) a majority of independent Directors; and
- (c) at least three members.

The Company will disclose the relevant qualifications and experience of the members of the Committee in the Annual Report.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. The members of the Committee are appointed and removed by the Board.

## **4.2 Chairperson**

The Chairperson of the Committee must be an independent Non-executive Director who is not the Chairperson of the Board.

The Chairperson of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee Chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a Chairperson for the meeting.

## **4.3 Technical expertise**

The Committee must be structured so that between them, the members of the Committee should have the accounting and financial expertise and a sufficient understanding of the industry and the circumstances in which the Company operates, to be able to discharge the Committee's duties effectively.

The Annual Report for a relevant financial year will disclose the relevant qualifications and experience of the members of the Committee.

## **4.4 Skills development**

If the Committee Chairperson approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the Company's expense.

## **4.5 Commitment of Committee members**

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

At the first Committee meeting after their appointment and when the Board reviews Committee membership, each Committee member must confirm that they are able to devote sufficient time and attention to the Committee for the coming year.

## **4.6 Secretary**

The company secretary is the secretary of the Committee.

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# **5 Committee meetings and processes**

## **5.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions in the Company's constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this charter.

The Annual Report for a relevant financial year will disclose the number of times the Committee met throughout that financial year and the individual attendance of each member of the Committee at those meetings.

## **5.2 Frequency and calling of meetings**

The Committee will meet as frequently as required to undertake its role effectively. The Chairperson must call a meeting of the Committee if requested by any member of the Committee, the external auditor, the internal auditor or the Chairperson of the Board.

## **5.3 Quorum**

Two Directors constitute a quorum for meetings of the Committee.

## **5.4 Attendance by management and advisors**

The Chief Executive Officer and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the internal and external auditors.

The Committee Chairperson may also invite Directors who are not members of the Committee, other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

## **5.5 Notice, agenda and documents**

The Chairperson of the Committee determines the meeting agenda after appropriate consultation.

The secretary will distribute the notice of meeting, the agenda of items to be discussed and any related documents to all Committee members and other attendees not less than five business days before each proposed meeting of the Committee.

## **5.6 Access to information and advisors**

The Chairperson of the Committee receives all reports between the external auditor and management, and the internal auditor and management.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access the Company's documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management (where the committee considers that necessary or appropriate); and
- (d) access and interview management and internal and external auditors (with or without management present).

Relevant information will be distributed to Committee members as it becomes available.

The Committee may request a special or specific investigation, either by its own accord, or via Board direction, in satisfying its responsibilities under this Charter.

## **5.7 Minutes**

The secretary will keep minutes to record the proceedings and resolutions of Committee meetings.

The Chairperson of the Committee, or their delegate, will report to the Board after each Committee meeting.



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## **6 Committee's performance evaluation**

The Committee will review its performance at least annually, or earlier if circumstances dictate.

The performance evaluation will have regard to the extent to which the Committee has met its responsibilities in terms of this charter.

Committee members must be available to meet with external bodies if requested to do so in accordance with relevant laws, regulations or prudential standards.

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## **7 Review and publication of charter**

The Committee will review this charter annually to ensure it remains relevant to the current needs of the Company. The charter may be amended by resolution of the Board.

The charter is available on the Company's website and the key features are published in the Corporate Governance Statement.