

## Asia Pacific Data Centre Group

# AUDIT, RISK and COMPLIANCE COMMITTEE CHARTER

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## 1. Purpose of Charter

- 1.1 The Audit, Risk and Compliance Committee Charter (**Charter**) governs the operations of the Audit, Risk and Compliance Committee (**ARC Committee**). It sets out the ARC Committee's role and responsibilities, composition, structure and membership requirements.
- 1.2 The ARC Committee has been established to assist the Board of the Asia Pacific Data Centre Group (**APDC Group**) (**Board**) in fulfilling its corporate governance and oversight responsibilities in relation to the APDC Group's:
- 1.3 The financial reports and financial reporting process
- (a) internal control structure
  - (b) risk management systems (financial and non-financial)
  - (c) the external audit process; and
  - (d) compliance with the requirements of the Australian Financial Services Licence (AFSL) held by Asia Pacific Data Centre Limited.
- 1.4 The ARC Committee will review and reassess the Charter at least annually and, on each occasion, will obtain the approval of the Board to the form of the Charter.

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## 2. Membership

- 2.1 The members of the ARC Committee will be members of, and appointed by, the Board. It will be of sufficient size, independence and technical expertise to discharge its mandate effectively. The ARC Committee will consist of:
- (a) at least three members;
  - (b) only non-executive Directors;
  - (c) a majority of independent<sup>1</sup> Directors; and
  - (d) an independent<sup>1</sup> chairman, who will be nominated by the Board from time to time but who will not be the chairman of the Board (**Chairman**).

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<sup>1</sup> Independent, as defined by the ASX Corporate Governance Council.

Current members are:

- (a) John Wright, Chairman;
- (b) Ian Fraser; and
- (c) Christopher Breach.

2.2 All ARC Committee members will be financially literate (i.e. are able to read and understand financial statements). At least one member will have accounting and/or related financial management expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters) and some members will have an understanding of the industry in which the APDC Group operates.

2.3 Members will be appointed for a period of no more than three years, with ARC Committee members generally being eligible for re-appointment for so long as they remain non-executive directors of the Board.

2.4 The terms of a member's appointment are:

- (a) A member may resign upon reasonable notice in writing to the ARC Committee chairman;
- (b) A member may from time to time be immediately removed by notice in writing under the hand of the ARC Committee chairman; and
- (c) Ceasing to be a non-executive director of the Board is deemed to be automatic termination of appointment as a member of the ARC Committee.

2.5 Secretary

- (a) The Company Secretary will act as the Secretary of the ARC Committee and will attend all ARC Committee meetings.
- (b) The Company Secretary, in conjunction with the chairman of the ARC Committee, must prepare an agenda to be circulated to each ARC Committee member at least two full working days before each meeting of the ARC Committee.
- (c) The Company Secretary will distribute a meeting timetable for each forthcoming calendar year.

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### **3. Meetings**

3.1 The ARC Committee will meet often enough to undertake its role effectively.

3.2 The purpose of ARC Committee meetings will be to:

- (a) review and approve external audit plan;
- (b) update the external audit plan;
- (c) review and approve financial reports; and
- (d) review the effectiveness of the compliance function in general.

- 3.3 A quorum for any meeting will be two members of the ARC Committee.
- 3.4 Special meetings may be convened as required. The ARC Committee chairman will call a meeting of the ARC Committee if requested to do so by any member of the ARC Committee, by the external auditors or by the chairman of the Board.
- 3.5 The ARC Committee may invite such other persons (eg. staff, CEO, CFO, external parties) to its meetings, as it deems necessary (whether on a permanent or an ad hoc basis).
- 3.6 The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each ARC Committee meeting.

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#### **4. Authority**

- 4.1 The Board authorises the ARC 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 ARC Committee) or external parties;
  - (c) obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
  - (d) ensure the attendance of APDC Group officers at meetings as it thinks appropriate.

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#### **5. Duties and Responsibilities**

- 5.1 Understanding the APDC Group's business
- (a) The ARC Committee will ensure it understands the APDC Group's structure, business and controls to ensure that it can adequately assess the significant risks faced by the APDC Group.
- 5.2 Financial Reporting
- (a) The ARC Committee's primary responsibility is to oversee the APDC Group's financial reporting process on behalf of the Board and to report the results of its activities to the Board. The ARC Committee will focus on:
    - (i) compliance with accounting standards (including an assessment of the appropriateness of Management's selection of accounting policies and disclosures);
    - (ii) significant or unusual transactions and accounting estimates;
    - (iii) significant changes in accounting policies and practices;
    - (iv) major judgemental areas;
    - (v) significant audit adjustments;

- (vi) financial matters relevant to half-yearly reporting in a timely manner; and
  - (vii) reviewing other financial information distributed externally as required.
- (b) The Committee will review the Declarations signed by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act and Recommendations 7.2 and 7.3 of the ASX Principles and make recommendations to the Board regarding their suitability.

### 5.3 Reporting to the Board

- (a) The ARC Committee will regularly report to the Board on all matters relevant to the ARC Committee's role and responsibilities.
- (b) The ARC Committee chairman will report and as appropriate make recommendations to the Board after each meeting of the ARC Committee on matters dealt with by the ARC Committee.
- (c) As and when appropriate, the ARC Committee will seek direction and guidance from the Board on audit, risk management and compliance matters.
- (d) The ARC Committee will ensure that the Board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the APDC Group in a timely manner.

### 5.4 Assessment of accounting, financial and internal controls

- (a) Periodically, the ARC Committee will meet separately with management, the external auditor and the AFSL compliance plan auditor to discuss:
  - (i) the adequacy and effectiveness of the accounting and financial controls, including the APDC Group's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs; and
  - (ii) issues and concerns warranting ARC Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.
- (b) The ARC Committee will provide sufficient opportunity for the external auditors to meet privately with the members of the ARC Committee. The ARC Committee will review with the external auditor any audit problems or difficulties and management's response.
- (c) The ARC Committee will receive regular reports from the external auditor on the critical policies and practices of the APDC Group, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

### 5.5 Assessment of management

The ARC Committee will meet in private session at least annually to assess management's effectiveness.

- 5.6 Appointment of external auditors and scope of external audit
- (a) The ARC Committee will make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting.
  - (b) The ARC Committee will discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures.
- 5.7 Pre-approval of audit and non-audit services provided by external auditors
- (a) The ARC Committee will pre-approve all audit and non-audit services provided by the external auditors and will not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the APDC Group.
  - (b) The ARC Committee may delegate pre-approval authority to a member of the ARC Committee. The decisions of any ARC Committee member to whom pre-approval authority is delegated must be presented to the full ARC Committee at its next scheduled meeting.
- 5.8 Assessment of the external audit
- (a) The ARC Committee, at least on annual basis, will obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):
    - (i) The audit firm's internal quality control procedures.
    - (ii) Any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
    - (iii) All relationships between the external auditor and the APDC Group (to assess the auditor's independence).
  - (b) The ARC Committee will set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgement or independence in respect of the APDC Group.
  - (c) The ARC Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the APDC Group or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the APDC Group.
  - (d) The ARC Committee will draft an annual statement for inclusion in the APDC Group's annual report as to whether the ARC Committee is satisfied the provision of non-audit services is compatible with the external auditor's independence.

5.9 Assessment of the AFSL compliance officer

- (a) The ARC Committee will review the compliance officer's ability to perform the compliance role, resources allocated to APDC Group and the terms of the engagement of the compliance officer.
- (b) The ARC Committee will discuss the scope of the compliance work with the compliance, including the compliance plan design, work program and quality control procedures.
- (c) The ARC Committee will review the effectiveness of the compliance officer at least annually, including the system for monitoring compliance with Financial Services Licence regulations and the results of management's investigations and follow-ups (including disciplinary action) of any non-compliance.

5.10 Compliance with laws and regulations

- (a) The ARC Committee will review the risk management policies developed and implemented by management taking into account all legal obligations the obligations of the AFSL and the reasonable expectations of stakeholders.<sup>2</sup>
- (b) The ARC Committee will gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis.
- (c) The ARC Committee will obtain regular updates from management, the compliance officer, the APDC Group's legal counsel and auditors, and any external parties as it thinks fit regarding audit, risk management and compliance matters. It will regularly review existing compliance systems and consider any deficiencies in compliance risk measures.
- (d) The ARC Committee will review any legal matters which could significantly impact the APDC Group's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports.
- (e) The ARC Committee will review the effectiveness of the compliance function as a whole 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.
- (f) The ARC Committee will be satisfied that all regulatory compliance matters have been considered in the preparation of the APDC Group's official documents.
- (g) The ARC Committee will review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.

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<sup>2</sup> Stakeholders can include shareholders, employees, customers, suppliers, creditors and the broader community in which the APDC Group operates.

- 5.11 Releases and complaints
- (a) The ARC Committee will review and discuss media releases, ASX announcements and any information provided to analysts.
  - (b) The ARC Committee will review all representation letters signed by management to ensure that the information provided is complete and appropriate and make recommendations to the Board regarding their suitability.
  - (c) The ARC Committee will establish procedures for the receipt, retention, and treatment of complaints received by the APDC Group regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the APDC Group of concerns regarding questionable accounting or auditing matters.
  - (d) The ARC Committee will review corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duties.
- 5.12 ARC Committee performance
- (a) The ARC Committee will perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.
  - (b) The Board will evaluate the performance of the ARC Committee as appropriate and is responsible for reviewing the APDC Group's policies on risk oversight and management and will satisfy itself that management has developed and implemented a sound system of risk management and internal control.

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## **6. Reliance on Management and External Professionals**

- 6.1 The members of the ARC Committee are entitled to rely on the APDC Group's management on matters within their responsibility and on external professionals on matters within their area of expertise. Committee members may assume the accuracy of information provided by such persons, so long as the members are not aware of any reasonable grounds upon which such reliance or assumption may not be appropriate.
- 6.2 Management is responsible for:
- (a) the preparation, presentation and integrity of the APDC Group's financial statements;
  - (b) implementing, managing and maintaining appropriate enterprise-wide accounting, financial reporting and risk management systems, policies and procedures, reporting protocols and internal controls that are designed to ensure compliance with applicable accounting standards, laws and regulations; and

- (c) the preparation, presentation and integrity of the information provided to the committee.
- (d) The external auditor is responsible for planning and carrying out each audit and review in accordance with applicable auditing standards. The external auditor is accountable to securityholders through the committee.

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