



## **Audit and Risk Committee Charter**

### **Role**

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The role of the Audit and Risk Committee (Committee) is to support and advise the Board of Phoslock Environmental Technologies Ltd in discharging its duties in relation to risk management, corporate and financial reporting, management of the external and internal audit functions and matters as determined by the Board.

### **Integrity of Financial Statements and Corporate Reporting**

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#### **Accounting policies and practices**

To ensure the entity's accounting policies and practices are appropriate and comply with the Corporations Act, Australian Accounting Standards and Australian Securities Exchange requirements, the Committee will review the appropriateness of significant accounting policies and practices of the Group, including management's interpretation of accounting standards. The Committee will discuss with the auditor its view on the quality and acceptability of the entity's accounting principles and policies.

The Committee will consider, and if thought fit, approve any material changes proposed to the Group's accounting interpretations.

#### **Maintenance of effective and efficient audit process**

The Committee will evaluate the expertise and experience of potential external auditors and have the sole authority to recommend to the Board the organisation to be proposed to be appointed, replaced or terminated by the Group, and to be recommended to shareholders for appointment.

The Committee will manage the relationship between the Group and the external auditors, including the external auditor's remuneration, and overseeing the external auditor's work. The external auditor will report directly to the Committee. In case the external auditor resigns, the Committee has the responsibility to investigate the reasons and consider whether further actions need to be taken.

The Committee will implement a process for approval of all audit and non-audit services provided by the external auditors. The Committee will take appropriate actions that are necessary where it becomes aware of the potential for a conflict between the interests of the external auditor and the interests of the Group.

The Committee has the responsibility to receive and review the Auditor's

Independence Declaration to be provided to the Directors of the Board by the external auditor pursuant to section 307C of the Corporations Act.

The Committee will review the Declarations signed by the Chief Executive Office and Chief Financial Officer required by section 295A of the Corporations Act and ASX Corporate Governance Principles and Recommendations, prior to the presentation of these to the Board.

The Committee will review and recommend to the Board that the half year and full year financial statements and corporate reporting documents be approved and released.

## **Risk Management and Internal Control**

The Committee will:

- assist the Board in reviewing the principal risks the Group may encounter, including those that threaten the Group's future performance, business model, solvency or liquidity.
- ensure the effectiveness of internal control system over financial reporting and maintain to provide reasonable assurance regarding the reliability of financial reporting and the fair presentation of the financial statements, and the protection of the Group's financial and other assets and the application of the Group's resources.
- consider the adequacy and effectiveness of the Group's internal control and risk management framework by reviewing reports from management and the internal and external auditors, and by monitoring management responses and actions to correct any deficiencies.
- recommend to the Board the appropriate level of insurance cover and monitor the insurance program is appropriate.
- engage and remunerate independent advisers to assist the Committee in carrying out its work if required and approved by the Board.

## **Committee performance**

The Committee will, at least every two years,

- review the charter and approve any changes.
- perform an evaluation of its performance.

*Updated 12 April 2019*