

# FOSTER'S GROUP LIMITED

## AUDIT COMMITTEE CHARTER

### Objective

To assist the Board to independently verify and safeguard the integrity of the Company's financial reporting and review and evaluate all material capital management financing and treasury risk management proposals.

### Constitution

The Committee is constituted and delegated functions by the Board. It has no powers other than those set out in this charter or otherwise delegated to it by the Board.

Save as specifically provided to the contrary in this Charter, the Committee's role is to review and make recommendations to the Board. It has no executive power or management function.

The Board retains full financial responsibility for the Company.

The Constitution shall govern the regulation of meetings and proceedings of the Committee.

### Composition

The Committee shall have at least 2 but no more than 5 members. One of the members will be the Chairperson of the Risk and Compliance Committee.

The Committee shall be comprised of non-executive directors all of whom must be independent directors. Independence is given the same meaning as in the Board Charter.

Audit Committee members must not accept any consulting, advisory or other compensatory fee from the Company, except in the capacity as a member of the Board or one of its Committees (including this Committee).

Of the Committee members:

- all shall be financially literate; and
- at least 1 shall have financial expertise.

A quorum shall be 2 members.

New Committee members shall be given a thorough briefing by the Chairperson and/or Secretary on key audit issues and provided with appropriate background documentation.

If a member of the Committee ceases to be a director of the Company, that member ceases to be a member of the Committee. The Board may remove a member of the Committee.

## **Chairperson**

The Board shall appoint the Chairperson of the Committee.

The Chairperson shall:

- be an independent director; and
- not be the Board Chairperson.

Should the Chairperson be absent from a meeting, the members of the Committee present shall appoint a Chairperson for that particular meeting.

## **Frequency of Meetings**

The Committee shall meet at least 4 times per year.

The Committee may call such additional meetings as the Chairperson of the Committee decides are necessary for the Committee to fulfil its duties.

Any Committee member can convene a Committee meeting.

## **Written Consent**

Any action permitted to be taken at any meeting of the Committee may be taken without a meeting, if a written consent thereto is signed by at least 75% of the members of the Committee, provided that such written consent shall be filed with the minutes of the proceedings of the Committee.

## **Agenda**

The Chairperson shall review the agenda for each meeting prior to its issue.

Any Committee member may require business to be included on the agenda provided the Chairperson and Secretary have been given prior notice of that business.

## **Attendance**

The Chief Executive Officer, Chief Financial Officer, External Auditors and Internal Auditors will be invited to attend meetings, as required. Other Company executives and advisers, as the Chairperson thinks fit, may be invited to attend meetings.

The External Auditors and/or Internal Auditors:

- will be required to meet separately with the Committee, without management, upon the Chairperson's request; and
- may be asked to contribute to the Committee's agenda.

## **Secretary**

The Company Secretary or his delegate shall act as Secretary of the Committee and shall attend meetings of the Committee, as required.

## **Minutes**

Minutes of meetings of the Committee shall be prepared by the Secretary, approved by the Chairperson in draft and circulated to all members of the Committee and to the Board.

Minutes of meetings of the Committee shall be confirmed at the next meeting of the Committee and then signed by the Chairperson.

## **Access to Information**

The Committee may seek information directly from any employee or external party, including the Internal Auditors and External Auditors.

The Committee may obtain any external, professional advice it requires to fulfil its duties. The Committee has authority to compensate these parties as it deems appropriate.

## **External Audit**

The Committee shall annually review the external audit function (including the desirability of tendering that function) and shall make recommendations accordingly to the Board. In the event that the Board decides to tender the external audit function the Committee shall manage the tender process and recommend its preferred tenderer to the Board.

The external audit engagement partner shall be rotated every 5 years, or more frequently if the Committee considers it desirable to maintain the External Auditors' independence.

Other staff of the External Auditors may be rotated, if the Committee considers it desirable to maintain the External Auditors' independence.

In addition to meeting with the Committee regularly, the External Auditors have an unrestricted right to discuss any issues they deem necessary with the Chairman of the Audit Committee or, if deemed appropriate by the External Auditors, with the Chairman of the Board.

The internal audit function, if outsourced, will be provided by a firm other than the external audit firm.

## **Provision of Non-Audit Services by External Auditors**

The Audit Committee will require the External Auditors to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.

In this regard the External Auditors shall not provide services that are considered to be in conflict with the role of the statutory auditor. These services include those where the auditor may ultimately be required to express an opinion on its own work, and in particular:

- bookkeeping or other services relating to the accounting records or financial statements;
- financial information systems design and implementation;
- appraisal or valuation services and fairness opinions;
- actuarial services;
- internal audit outsourcing functions;
- management functions or human resources;
- broker or dealer, investment adviser or investment banking services; and
- legal services and expert services unrelated to the audit.

The External Auditors may be permitted to provide non-audit services that are not perceived to be in conflict with the role of the auditor where their detailed knowledge of the Group's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, based on recommendations from management must be first approved by the Chairman of the Audit Committee, who will consult with the other members of the Audit Committee, the External Auditors and management, as appropriate.

The Audit Committee will:

- recommend to the Board the appropriate disclosure in the Annual Accounts of the full details of fees paid to the external auditors including an analysis of non-audit services; and
- provide advice to the Board as to whether the provision of non-audit services to the Company by the external auditors is compatible with the general standard of independence for Auditors imposed by the Corporations Act and has not compromised that independence, together with the reasons upon which that advice is based.

## **Internal Audit**

The Committee shall annually review the internal audit function (including the desirability of tendering that function) and shall make recommendations accordingly to the Board. In the event the Board decides to tender the internal audit function, the Committee (in conjunction with the Risk and Compliance Committee) shall manage the tender process and recommend its preferred tenderer to the Board.

The internal audit engagement partner shall be rotated every 5 years, or more frequently if the Committee considers it desirable to maintain the Internal Auditors' independence.

Other staff of the Internal Auditors may be rotated, if the Committee considers it desirable to maintain the Internal Auditors' independence.

## **Responsibilities and Duties**

The primary responsibilities of the Committee are to:

- assess whether the Company's external reporting is legally compliant, consistent with Committee members' information and knowledge and suitable for shareholder needs;
- assess the management processes supporting external reporting;
- liaise with the External Auditors and ensure that the annual statutory audit and half-year review are conducted in an effective manner;
- make recommendations for the appointment or removal of the external and the internal auditors;
- on an annual basis, assess the performance and independence of the External and Internal Auditors; and
- monitoring the coordination of the internal and external audits.

The duties of the Committee include:

- reviewing and determining whether to recommend adoption of accounting policy changes;
- reviewing financial reports to be issued by the Company to the market prior to their release, to ensure their integrity and compliance with statutory and contractual requirements, and in doing so considering:
  - the appropriateness of accounting policies being used;
  - whether the reports have been prepared in accordance with relevant accounting principles and standards;
  - the methods used to account for significant unusual transactions or transactions for which there is no specific accounting standard;
  - significant estimates and judgments made in the financial reports;
  - the appropriateness of the disclosure made; and
  - statutory and contractual requirements;
- reviewing reports from management, the External Auditors and/or the Internal Auditor on the issues referred to in the previous paragraph and any other significant regulatory, accounting or reporting issue;
- reviewing the procedures in place to ensure that the Company is in compliance with the Corporations Act, ASX Listing Rules, applicable Accounting Standards and other reporting requirements;
- on an annual basis, approving the audit plan of the External Auditors and agreeing terms of engagement with them, including their fees;
- in relation to the external audit:
  - monitoring the progress of the External Auditors against the audit plan;
  - reviewing all representation letters signed by management;
  - discussing the results of the external audit with the External Auditors;
  - enquiring if there have been any significant disagreements between management and the External Auditors; and
  - monitoring management's responses to the External Auditors' recommendations that are adopted;
- on an annual basis, in conjunction with the Risk and Compliance Committee, approving the audit plan of the Internal Auditors and agreeing terms of engagement with them, including their fees;
- agreeing with the Risk and Compliance Committee which aspects of the internal audit are financial aspects to be monitored by the Audit Committee;
- in relation to the financial aspects of the internal audit:
  - monitoring the progress of the Internal Auditors against the audit plan;
  - reviewing all representation letters signed by management;
  - discussing the results of the internal audit with the Internal Auditors;
  - enquiring if there have been any significant disagreements between management and the Internal Auditors; and
  - monitoring management's responses to the Internal Auditors' recommendations that are adopted;
- reviewing and recommending to the Board changes to the Company's Group Treasury Operating Policy to ensure it is aligned to best practice;

- monitoring compliance with the Company's key Treasury policies included in the Group Treasury Operating Policy, and particularly risk priorities/risk tolerance;
- reviewing reports on any defalcations, frauds and thefts from the Company and action taken by management;
- reviewing the declaration from the Company Secretary on compliance with statutory responsibilities; and
- undertaking special investigations into financial reporting matters requested by the Board.

## **Reporting**

The Chairperson shall report to the Board at the Board meeting following each Committee meeting. The report shall cover:

- the primary responsibilities and the recommendations set out in the Responsibilities and Duties section; and
- any other material matters relevant to the Committee's duties.

## **Distribution**

After its review each year, this charter shall be distributed by the Company Secretary to all Directors, the Chief Executive Officer, the Chief Financial Officer, the External Auditors and the Internal Auditors.

This Audit Committee Charter will be available for viewing by any person on the Company's website or a copy will be sent upon request.

Updated as at 30 June 2010