Audit and risk committee charter

Vintage Energy Ltd ACN 609 200 580
(Company)

Audit and risk committee charter

1. Introduction

1.1 The Audit and Risk Committee is a committee of the board of directors of Vintage Energy Ltd (ACN 609 200 580) (**Company**).

1.2 The board established the Audit and Risk Committee under the Company's constitution.

1.3 This charter sets out the scope of the Audit and Risk Committee's responsibilities in relation to the Company.

1.4 The role of the Audit and Risk Committee is not an executive role.

2. Objective

The objectives of the Audit and Risk Committee are to:

(a) help the board achieve its objective in relation to:

(i) financial reporting;

(ii) the application of accounting policies;

(iii) business policies and practices;

(iv) legal and regulatory compliance; and

(v) internal control and risk management systems;

(b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);

(c) promote a culture of compliance;

(d) ensure effective communication between the board and the senior compliance manager;

(e) provide a forum for communication between the board and senior financial and compliance management;

(f) ensure effective internal and external audit functions and communication between the board and the external and internal auditors; and

(g) ensure compliance strategies and compliance function are effective.

3. External financial reporting

The Audit and Risk Committee is responsible for:

(a) assessing the appropriateness and application of the Company's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;

(b) obtaining an independent judgment from the external auditor about:

(i) the acceptability and appropriateness of accounting policies and principles put forward by management; and

(ii) the clarity of current or proposed financial disclosure practices as put forward by management;

(c) assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements) by:

(i) querying management as how they were made; and

(ii) querying the external auditors as how they concluded that those estimates were reasonable;

(d) reviewing compliance with all related party disclosures required (where applicable) by accounting standards and the *Corporations Act 2001* (Cth);

(e) assessing information from internal and external auditors that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);

(f) reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess (among other things):

  (i) the compliance of accounts with accounting standards and the *Corporations Act 2001* (Cth); and

  (ii) the nature and impact of any changes in accounting policies during the applicable period;

(g) discussing any draft audit opinion letter with the external auditors before it is finalised;

(h) receiving any management letter from the external auditors;

(i) recommending for adoption by the board interim and final financial reports and the annual report;

(j) reviewing documents and reports to regulators and recommending to the board their approval or amendment; and

(k) following up on any matter raised by the board regarding financial reports, audit opinions and management letters.

4. Risk management and internal control

The Audit and Risk Committee is responsible for:

Risk management and internal compliance and control systems

(a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems; and

(b) approving and recommending to the board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:

  (i) identifying, assessing, monitoring and managing risk

(c) regularly reviewing and updating above;

(d) assessing the adequacy of the internal risk control system with management and internal and external auditors;

(e) monitoring the effectiveness of the internal risk control system;

(f) ensuring the risk management system takes into account all material risks, including risks arising from:

  (i) implementing strategies (strategic risk);

  (ii) operations or external events (operational risk);

  (iii) legal and regulatory compliance (legal risk);

  (iv) changes in community expectation of corporate behaviour (reputation risk);

  (v) a counterparty's financial obligations within a contract (credit risk);

  (vi) changes in financial and physical market prices (market risk); and

  (vii) being unable to fund operations or convert assets into cash (liquidity risk);

(g) assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk;

Key financial risk

(h) assessing and prioritising the areas of greatest potential financial risk, including:

  (i) safeguarding assets;

  (ii) litigation and claims;

  (iii) non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss;

  (iv) important judgments and accounting estimates; and

  (v) maintenance of proper accounting records;

(i) assessing the internal process for determining areas of greatest potential financial risk;

(j) assessing and monitoring the management of areas of greatest potential financial risk;

(k) reporting to the board on the adequacy of the financial risk management;

Legal and regulatory risk

(l) assessing and prioritising the areas of greatest legal and regulatory risk;

(m) assessing the internal process for determining, monitoring and managing areas of greatest legal and regulatory risk;

(n) receiving reports from management of any actual or suspected fraud, theft or other breach of the law;

(o) monitoring compliance with legal and regulatory obligations;

(p) reporting and making recommendations to the board regarding:

  (i) the management of areas of greatest legal and regulatory risk (including fraud and theft); and

  (ii) compliance with legal and regulatory obligations;

(q) receiving and reviewing reports from the senior compliance manager;

Disclosure and reporting

(r) ensuring management establishes a comprehensive process to capture information that must be disclosed to ASX;

(s) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);

(t) assessing management's processes for ensuring non-financial information in documents (both public and internal) does not conflict inappropriately with financial reports and other documents;

(u) assessing internal control systems relating to the release of potentially adverse information; and

(v) reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

5. External audit

The Audit and Risk Committee is responsible for:

(a) approving and recommending to the board for acceptance, the terms of engagement with the external auditor at the beginning of each year;

(b) regularly reviewing with the external auditor:

  (i) the scope of the external audit;

  (ii) identified risk areas; and

(iii) any other agreed procedures;

(c) approving and recommending to the board for adoption, policies and procedures for appointing or removing an external auditor, including criteria for:

(i) technical and professional competency;

(ii) adequacy of resources; and

(iii) experience, integrity, objectivity and independence;

(d) recommending to the board for approval, the appointment or removal of an external auditor based on those policies and procedures referred to in paragraph (c);

(e) reviewing and assessing on a regular basis the compliance of the external auditor with criteria referred to in paragraph (c);

(f) recommending to the board the remuneration of the external auditor;

(g) regularly reviewing the effectiveness and independence of the external auditor taking into account:

(i) the length of appointment;

(ii) the last dates lead engagement partners were rotated;

(iii) an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services; and

(iv) any relationships with the Company or any other body or organisation that may impair or appear to impair the external auditor's independence;

(h) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee;

(i) recommending to the board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;

(j) meeting periodically with the external auditors and inviting them to attend Audit and Risk Committee meetings to:

(i) review their plans for carrying out internal control reviews;

(ii) consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters; and

(iii) make recommendations to the board;

(k) asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved;

(l) monitoring and reporting to the board on management's response to the external auditor's findings and recommendations;

(m) reviewing all representation letters signed by management and ensuring information provided is complete and appropriate; and

(n) receiving and reviewing the reports of the external auditor.

6. Internal audit

The Audit and Risk Committee is responsible for:

(a) ratifying the engagement and dismissal by management of any chief internal audit executive;

(b) ensuring any chief internal audit executive is independent of the external auditor;

(c) ensuring the external auditor does not provide internal audit services;

(d) overseeing the scope of the internal audit, including reviewing the internal audit team's mission, charter, qualifications and resources;

(e) reviewing and approving the scope of the internal audit plan and work programme;

(f) monitoring the progress of the internal audit work programme and considering the implications of the internal audit findings for the control environment;

(g) monitoring and reporting to the board on management's responsiveness to internal audit findings and recommendations;

(h) evaluating the process for monitoring and assessing the effectiveness of the internal audit function;

(i) overseeing the liaison between the internal audit team and the external auditor;

(j) receiving and reviewing the internal audit team's reports; and

(k) ensuring the internal audit team reports directly to the Audit and Risk Committee.

7. Audit and Risk Committee

The Audit and Risk Committee is responsible for:

(a) reviewing and approving the charter of any committee dealing with audit, risk management and compliance within the Company; and

(b) receiving and reviewing reports from any such committee.

8. Other responsibilities

The Audit and Risk Committee is responsible for:

(a) overseeing the implementation of the Company's corporate code of conduct and assessing compliance with it;

(b) overseeing the implementation of the Company's code of conduct for directors and senior executives of and assessing compliance with it;

(c) assessing and recommending to the board for adoption the scope, cover and cost of insurance, including insurance relating to directors and officers liability, company reimbursement, professional indemnity, crime, special accident and trustees liability;

(d) if it considers appropriate, investigating any complaint or allegation made to it;

(e) reporting to the board on any industry development affecting the control environment;

(f) reviewing and monitoring any related party transaction and recommending its approval; and

(g) ensuring the audit, risk management and compliance policies and procedures are adequately documented and that those documents are reviewed and updated for any legal and regulatory developments.

9. Audit and Risk Committee composition

9.1 If the Company is included in the S&P ASX 300 Index at the start of the Financial Year, the Audit and Risk Committee must comprise:

(a) at least 3 members; and

(b) 3 of which should be non-executive directors.

9.2 The Audit and Risk Committee must comprise a majority of independent directors.

9.3 The Audit and Risk Committee will appoint its chairperson. The chairperson must be an independent director and may not be the chairperson of the board.

9.4 The Audit and Risk Committee will appoint a secretary.

9.5 The Audit and Risk Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.

9.6 Each member of the Audit and Risk Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.

9.7 Each member of the Audit and Risk Committee should have an understanding of the industry in which the Company operates.

9.8 The board will decide appointments, rotations and resignations within the Audit and Risk Committee having regard to the ASX Listing Rules and the *Corporations Act 2001* (Cth).

9.9 A member may act by their alternate.

10. Audit and Risk Committee meetings

10.1 The Audit and Risk Committee will meet as often as it considers necessary.

10.2 A quorum for an Audit and Risk Committee meeting is 2 Audit and Risk Committee members.

10.3 Audit and Risk Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

10.4 The Audit and Risk Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the *Corporations Act 2001* (Cth).

10.5 The Audit and Risk Committee may invite other persons it regards appropriate to attend Audit and Risk Committee meetings.

11. Minutes of Audit and Risk Committee meetings

11.1 The Audit and Risk Committee must keep minutes of its meetings.

11.2 Minutes of each Audit and Risk Committee meeting must be included in the papers for the next full board meeting after each meeting of the Audit and Risk Committee, except if there is a conflict of interest.

11.3 Minutes must be distributed to all Audit and Risk Committee members, after the Audit and Risk Committee chairperson has approved them.

11.4 The agenda and supporting papers are available to directors upon request to the Audit and Risk Committee secretary, except if there is a conflict of interest.

12. Reporting to the board

The Audit and Risk Committee chairperson must report the Audit and Risk Committee's findings to the board after each Audit and Risk Committee meeting.

13. Access to information and independent advice

13.1 The Audit and Risk Committee may seek any information it considers necessary to fulfil its responsibilities.

13.2 The Audit and Risk Committee has access to:

(a) management to seek explanations and information from management; and

(b) internal and external auditors to seek explanations and information from them, without management being present.

13.3 The Audit and Risk Committee may seek professional advice from employees of the Company and from appropriate external advisers, at the Company's cost. The Audit and Risk Committee may meet with these external advisers without management being present.

14. Review and changes to this charter

14.1 The Audit and Risk Committee will review this charter annually or as often as it considers necessary.

14.2 The board may change this charter from time to time by resolution.