



# **Audit, Risk and Compliance Committee Charter**

**Lithium Power International Limited**  
ACN 607 260 328

Adopted by the Board on  
1 July 2020

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# Audit, Risk and Compliance Committee Charter

## 1. Purpose and authority

### 1.1 Purpose

The purpose of this Audit, Risk and Compliance Committee Charter (**Charter**) is to specify the authority delegated to the Audit, Risk and Compliance Committee (**Committee**) by the board of Directors (**Board**) of Lithium Power International Limited ACN 607 260 328 (the **Company**) 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. It has the authority delegated to it by the Board, and the power to undertake the roles and exercise the responsibilities as set out in this Charter and under any separate resolutions of the Board from time to time.

## 2. Membership of the Committee

### 2.1 Composition and size

It is the Company's goal that the Committee should (and, if the Company is included in the S&P ASX 300 Index, must) consist of:

- (a) only Non-Executive Directors;
- (b) a majority of independent Directors; and
- (c) a minimum of three members of the Board,

however, there may be circumstances where it is not appropriate for the Committee to be constituted as described above. The Company will comply with any binding obligations in relation to the composition of the Audit, Risk and Compliance Committee contained in the ASX Corporate Governance Council's Principles and Recommendations.

The Board may appoint additional Non-Executive Directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Committee members should devote the necessary time and attention so that the Committee can carry out its responsibilities effectively.

Non-Committee members, including members of management and the external auditor, may attend meetings of the Committee at the invitation of the Committee Chairperson.

It is intended that the members of the Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which the Company operates, to be able to effectively discharge the Committee's responsibilities. At least one member should have relevant formal qualifications and experience (i.e. be a qualified accountant or other finance professional with experience of financial and accounting matters).

### 2.2 Committee Chairperson

The Committee Chairperson should be an appropriately qualified independent Non-Executive Director who is not the Chairperson of the Board. The Board has adopted a definition of independence as set out in the Board Charter.

The Committee Chairperson is appointed by the Board. If, for a particular Committee meeting, the Committee Chairperson is not present within 30 minutes of the nominated starting time of the meeting, the Committee may elect a Chairperson for the meeting.

The Committee Chairperson will attend the Company's annual general meetings to respond to any shareholder questions on the Committee's activities.

### 2.3 **Secretary**

The Company Secretary is the secretary of the Committee and must attend all Committee meetings.

## 3. **Objectives**

The ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommend that the Company has formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting and that it has a sound risk management framework.

The Committee's objectives are to review and make recommendations to the Board in relation to its accounting, auditing, financial reporting, risk management and legal and regulatory compliance responsibilities. The Committee aims to bring transparency, focus and independent judgment to its roles and responsibilities.

The Committee's key responsibilities and functions in this regard are to:

- (a) oversee, maintain and continually improve the quality, accuracy and integrity of the Company's external financial reporting and financial statements;
- (b) ensure that the Company applies and maintains appropriate accounting and business policies and procedures;
- (c) oversee the external audit functions;
- (d) oversee the appointment, remuneration, independence and effective performance of the Company's external auditors, and the Company's relationship with its external auditors;
- (e) oversee the effectiveness of the Company's legal and regulatory compliance framework;
- (f) oversee the effectiveness of the Company's risk identification and management framework and internal controls;
- (g) provide a forum for communication between Board and management in relation to audit, risk and compliance matters affecting the Company; and
- (h) promote a culture of compliance.

## 4. **Audit and financial reporting**

### 4.1 **Internal controls**

The Company's internal controls and processes are vital to the continued success of the Company.

The Committee's primary roles in relation to this area are to:

- (a) [approve the Company's internal audit plan and receive reports from internal audit on its reviews of the adequacy of the Company's processes for managing risk;]
- (b) advise the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and review the effectiveness of the Company's internal control framework;
- (c) ensure that procedures are in place which are designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management;
- (d) oversee investigations of breaches or potential breaches of internal controls, and incidents identified as risks, particularly in relation to accounts and financial reporting;
- (e) establish procedures for the receipt, retention and treatment of concerns received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters; and
- (f) monitor and report to the Board on taxation management and compliance.

## 4.2 External reporting

The Committee is responsible for overseeing the adequacy of the Company's corporate reporting processes. The processes should be formal and rigorous to safeguard the integrity of the Company's corporate reporting and facilitate independent verification.

The Committee's primary responsibilities in relation to corporate reporting are to:

- (a) actively oversee and review the Company's corporate reporting and disclosure processes and financial controls, oversee and review the outputs of that process and make recommendations to the Board in relation to those matters;
- (b) recommend to the Board whether the directors' report and annual report should be approved based on the Committee's assessment of them;
- (c) review the Company's financial statements and other corporate reports for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company, as a basis for recommendation to and adoption by the Board;
- (d) review and assess the appropriateness of material estimates, accounting judgments and significant choices exercised by management in preparing the Company's financial statements (including the solvency and going concern assumptions) by:
  - (i) examining the processes used; and
  - (ii) seeking verification from external auditors;
- (e) review management's processes for compliance with laws, regulations and other requirements relating to the preparation of accounts and corporate reporting by the Company of financial and non-financial information; and
- (f) review the completeness and accuracy of the Company's Corporate Governance Statement as required by the ASX Listing Rules,

and make recommendations to the Board in respect of these matters.

## 4.3 External audit

The external audit is fundamental in the process to independently verify and safeguard the integrity of the Company's corporate reporting.

The Committee's primary roles in relation to the audit function are to review and make recommendations to the Board in relation to:

- the reporting of financial information;
- the appropriate application and amendment of accounting policies; and
- the appointment, independence and remuneration of the external auditor.

The Committee also provides a link between the external auditors, the Board and management of the Company.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- (a) **Appointment:**
  - (i) review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners;
  - (ii) assume responsibility for the appointment, compensation, terms of engagement, removal and other contractual terms of the external auditors;
  - (iii) develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy;
- (b) **Independence:**
  - (i) review the performance, independence and objectivity of the external auditors;
  - (ii) provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of

independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) (**Corporations Act**) to be included in the Company's annual report;

(c) **Meetings and ongoing communication:**

- (i) invite the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (ii) meet with the external auditor without management present at least once a year;
- (iii) raise with the external auditor any specific points of divergence with the Company's management;

(d) **Deliverables:**

- (i) receive and review reports of the external audit of the Company's financial statements;
- (ii) review and make recommendations to the Board in relation to the scope, results, adequacy and effectiveness of the annual audit, placing emphasis on areas where the Committee believes special attention is necessary or where the auditor has made a recommendation or finding;
- (iii) review and monitor representation letters signed by management and assess that information provided is complete and appropriate; and
- (iv) monitor management's responses to the external auditor's findings and recommendations.

The external auditor will attend the Company's annual general meeting and be available to answer questions from security holders relevant to the audit.

#### 4.4 **Related party transactions**

The Committee is responsible for reviewing and monitoring the propriety and materiality of related party transactions and, where necessary, their appropriate disclosure.

## 5. **Risk management**

### 5.1 **Role allocation**

Managing risk well benefits the Company, its stakeholders and the broader community in which the Company operates. It not only protects established value but, given its forward-looking focus, can identify opportunities to create value.

Recognising and managing risk is a crucial role for the Board, the Committee and management. Broadly:

- (a) the **Board's role** is to set the risk appetite for the Company (that is, the nature and extent of the risks it is prepared to take to meet its objectives), to oversee its risk management framework and to satisfy itself that the framework is sound;
- (b) **management's role** is to identify risks, develop and implement the risk management framework, manage and report on risks and monitor that the Company operates within the risk appetite set by the Board; and
- (c) the **Committee's roles** are to:
  - (i) oversee that management carry out their risk management roles in light of guidance from the Board and within the risk appetite set by the Board;
  - (ii) review the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;
  - (iii) regularly review the Company's policies and processes to ensure that they are adequate to manage risks;
  - (iv) review reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks, including (where necessary) on an urgent basis; and
  - (v) make recommendations to the Board regarding risks the Company faces, action it should take, the adequacy of the Company's risk management framework, and the disclosure of risk.

## 5.2 Responsibilities

The following are intended to form part of the normal procedures for the Committee's risk management responsibilities:

- (a) **risk management framework:** oversee that management designs and implements an appropriate and effective risk management framework which:
  - (i) aims to identify, protect against, detect, respond to and recover from risks, and to review and improve that framework;
  - (ii) includes risks relevant to the Company;
  - (iii) adequately deals with contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability, climate change, national or global health crises, epidemics and pandemics; and
  - (iv) is developed and reviewed with input from external auditors, compliance staff and other experts and consultants as relevant and in light of relevant standards and industry guidance;
- (b) **review the risk management framework** at least annually to determine that it continues to be sound, and to identify any changes to material risks and whether they remain within the risk appetite set by the Board with input from management, external auditors, compliance staff and other experts and consultants as relevant and in light of relevant standards and industry guidance;
- (c) **report and make recommendations to the Board** on risk management issues and the Company's risk management framework, including the following risk management issues:
  - (i) **insurance:** at least annually, review and monitor the structure and adequacy of the Company's insurance program having regard to the Company's business and the insurable risks associated with its business;
  - (ii) **fraud:** review and monitor the Company's exposure to fraud, oversee investigations of allegations of fraud or malfeasance and ensure the Company responds appropriately in relation to any incident involving fraud or other break down of the entity's internal controls;
  - (iii) **treasury:** review and monitor the ongoing effectiveness of the Company's treasury function including compliance with the Company's treasury policy as well as overall operations;
  - (iv) **exchange rate risks:** review and monitor the Company's overall risk management approach covering foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity;
  - (v) **economic disruption:** review and monitor the Company's preparedness for events which may lead to economic disruption such as acts of war, terrorist activity, civil disruption, natural disasters, epidemics, pandemics and other major events which may have an impact on the Company's prospects, the prospects of the industry in which the Company operates, or the Australian or global economy as a whole; and
  - (vi) **business continuity planning:** review and monitor the Company's business continuity planning for any operational disruptions that may arise, including as a result of acts of war, terrorist activity, civil disruption, natural disasters, epidemics, pandemics and other major events which may have an impact on the Company's operations; and
- (d) **disclosure:** oversee the preparation of summaries and make recommendations to the Board including for:
  - (i) **the directors' report:** of the main internal and external risk sources that could adversely affect the Company's prospects for future financial years, for inclusion in the operating and financial review section of the directors' report; and
  - (ii) **the corporate governance statement:** in the Company's annual report, including in relation to each reporting period:
    - (A) whether the review of the Company's risk management framework has taken place and, if appropriate, insights gained from the review and changes made as a result; and
    - (B) whether the Company has any material exposure to economic, environmental and social sustainability risks and if so how it intends to manage those risks.

## 6. Legal and regulatory compliance

Compliance with the Company's legal and regulatory obligations and maintaining all relevant approvals for the operation of the Company's business is crucial to its success.

The following are intended to form part of the normal procedures for the Committee's legal and regulatory compliance responsibilities:

- (a) reviewing the Company's compliance with laws and regulations, including overseeing decisions to conduct business and transactions where those decisions could impact on the Company's compliance with applicable requirements;
- (b) reviewing the procedures the Company has in place to ensure compliance with laws and regulations;
- (c) receiving and considering reports of non-compliance with laws, regulations and Company policies;
- (d) reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules and the Corporations Act);
- (e) reviewing the Company's main corporate governance practices for completeness and accuracy; and
- (f) reviewing and discussing with management and the [internal and] external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

## 7. Rights of access and authority to management and auditors

The Committee has rights of access to management and to auditors (external and internal (if applicable)) without management present, and rights to seek explanations and additional information from both management and auditors.

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 advice and input from counsel, accountants and other experts (e.g. risk consultants), without seeking approval of the Board or management (where the Committee considers such action necessary or appropriate); and
- (d) access and interview management and external auditors (with or without management present).

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

## 8. Review

The Board will, at least once in each year, review the membership and Charter of the Committee to determine its adequacy for current circumstances. The Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

This Charter may be amended by resolution of the Board.

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

## 9. General Meetings

If appropriate in the circumstances, the Board will ensure that substantive resolutions to be considered by shareholders at general meetings should be decided by a poll.



## **10. Administrative matters and procedures**

The proceedings of the Committee will be conducted in accordance with provisions set out in Annexure 1.

# Annexure 1

## Administrative matters and procedures

### Meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet half-yearly.

The Board will disclose the number of times the Committee met throughout the financial year and the individual attendance of each Committee member at those meetings.

### Quorum

The quorum is at least 2 members.

### Convening and notice of meeting

Any member may, and the Company Secretary must upon request from any member, the auditor or the Chairperson of the Board, convene a meeting of the Committee.

Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting documentation will be circulated by the Company Secretary to each Committee member and any other individual invited to attend. There is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

### Attendance by management and advisors

The Chief Executive Officer and Chief Financial Officer (or other delegate of the Board) are expected to attend each scheduled meeting of the Committee (unless their attendance is not required) and a standing invitation will be issued to the external auditors.

The Committee Chairperson may invite any person from time to time to attend meetings of the Committee. The Committee may request management and others to provide such input and advice as is required.

### Independent advice

The Committee may seek the advice of the Company's auditors, solicitors or other independent advisers, consultants or specialists as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee.

### Minutes

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee Chairperson, be presented at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any Director.

### Reporting

It is intended that a report of the actions of the Committee and a copy of the minutes of the Committee meeting or both will be included in the Board papers for the next Board meeting following a meeting of the Committee.

The Committee Chairperson will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All Directors may, within the Board meeting, request information of members of the Committee.