

## **ANSELL LIMITED**

### **AUDIT and COMPLIANCE COMMITTEE CHARTER**

#### **1. Purpose**

The Audit and Compliance Committee (the Committee) is established to ensure oversight by the Board of Directors of all matters related to the financial accounting, financial reporting, internal control systems and financial risk management practices of the Company. The Committee monitors the processes which are undertaken by management and both external and internal auditors. Through the Committee, the full Board, as the representative of the shareholders, ensures that the Company meets all its financial and corporate governance obligations and requirements. The external auditors are responsible to the Committee and the Board under this model.

#### **2. Composition**

The Committee shall consist of at least three Non-executive Directors, each of whom has been determined by the Board to be independent of management, free of any relationship, which might impair the exercise of their independent judgement and possessed of the financial skills and acumen, which will allow them to be effective in their role. It is intended that all Committee members will have an understanding of the industry in which the company operates and at least one member of the Committee will have expertise in financial accounting and reporting. The quorum of the Committee shall be at least two Directors. The Committee Chairman should be independent and not Chairman of the main Board. The Chairman of the main Board may, however, attend meetings at his or her discretion, in an ex-officio capacity. The Non-executive Directors of the main Board may also attend meetings at their discretion. All Committee papers are to be distributed to all Non-executive Directors.

#### **3. Responsibilities**

- 3.1 The responsibilities of the Committee are bounded only by the existence of other Committees of the Board established to govern such other aspects of the Company's affairs outside of the financial control, financial reporting and financial risk management spheres, and by the primary responsibilities of management to undertake the accounting and reporting of transactions and the implementation of sound internal control and risk management systems.
- 3.2 The Committee reviews the financial statements, adequacy of financial controls and the annual audit arrangements. It monitors internal controls and financial reporting systems, and assesses and monitors the adequacy of the Company's policies relating to financial reporting and controls, including compliance with national and international accounting standards, and other regulatory or statutory requirements.
- 3.3 The Committee liaises with the Company's internal and external auditors, reviews the scope of their activities, reviews the external auditors' remuneration and independence and advises the board on their appointment and removal. The lead audit partner and review partner are not permitted to serve for more than 5 consecutive years.
- 3.4 The Committee reviews the policies, processes and procedures in place for the identification, management and reporting of financial risk, and reviews the findings

reported. The Committee will receive reports from management concerning the Company's financial risk management principles and practices to review and recommend to the Board the adoption of policies and procedures on financial risk oversight and management so as to establish an effective and efficient system for:

- identifying, assessing, monitoring and managing financial risk;
- ensuring accountability at a senior management level for financial risk oversight and management; and
- ensuring appropriate disclosure.

3.5 The Committee functions best when its policies and procedures remain flexible, around the core areas of external and internal audit activities, policies and procedures established by the management of the Company, the quality of their application and the maintenance of controls.

Actions the Committee will undertake to meet its responsibilities include the following:

### **3.6 Financial Reporting, Internal Audit, External Audit**

- (i) Approve in advance all audit and non-audit services, which may be provided by the external auditors. Non-audit services that are perceived to be materially in conflict with the role of auditor should not be provided by the external auditor. Such services include investigations and consulting advice and subcontracting of operational activities normally undertaken by management and where the external auditor may ultimately be required to express an opinion on its own work.
- (ii) Review and approval of external and internal audit plans
- (iii) Discussion with internal and external auditors, in the absence of management where necessary, aimed at ensuring that the Committee understands not only the acceptability of accounting practices in the group, but also the quality of these practices. This is so that the Committee can form an opinion on the quality of the reported earnings and balance sheet values, not merely their compliance with accounting standards and law.
- (iv) Discussion with management and external auditors on all aspects which will affect the level of internal controls within the group, review of the corporate governance self-assessment checklists, the CEO and CFO internal control certification and the reports of auditors. This is so that the Committee can understand the level of accounting risk prevailing in the group, allowing it to consider actions necessary to minimise fraud or other inappropriate behaviour and assess the effectiveness of the internal control environment within the Group.
- (v) Approve procedures for the receipt, retention and treatment of complaints 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.
- (vi) Review and discuss with management, the internal auditors, and the external auditors, the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs, including the Company's Policies on Business Conduct, that relate to accounting and auditing matters.
- (vii) Assessment, through observation, discussion and external reference, of the calibre and quality of senior financial management of the group and similar assessment of both internal and external auditors, as well as determining whether they are appropriately objective or independent. This is so that the Committee can advise the

full Board, as the shareholders' representative, of any actions that might be necessary to ensure that the company is properly resourced and served in order to meet its fiduciary duties.

- (viii) Review of periodic financial statements and any other financial disclosures necessitated by statute or continuous disclosure rules, as delegated by the full Board.
- (ix) Communication, to the full Board, of determinations made in the conduct of the Committee's activities.
- (x) Investigation of any matter, which the Committee wishes to pursue further, with access to outside counsel or financial expertise if necessary.

### **3.7 Financial Risk Management**

- (i) Review the Company's annual assessment of the effectiveness of its internal controls over financial reporting and financial risk management.
- (ii) Review the adequacy of the Company's internal controls over financial reporting and financial risk management;
- (iii) Monitor management's responsiveness to significant internal control and other recommendations made by the internal audit function and the external auditors;
- (iv) Review the adequacy of the Company's policies and practices for detecting, reporting and preventing fraud and serious breaches of business conduct and the Company's whistleblowing procedures and reporting to the Committee

## **4. Meetings**

The Committee will meet at least four times a year, or as often as the Committee members deem necessary in order to fulfil their responsibilities set out in this Charter.

The Committee may seek advice from financial and legal advisers, in accordance with the Company's general policy, and has full access to executives of the Company to enable the Committee to effectively discharge its duties.

The following standing agenda items will apply at the scheduled meetings:

In February - review of half-year financial statements; review of ASX release; receive internal and external audit reports, receive corporate governance reports.

In June - statutory and regulatory reporting update, accounting policy changes and updates; receive internal audit report; charter review and update.

In August - review of full-year financial statements; review of ASX release; receive internal and external audit reports, receive corporate governance reports.

In December - statutory and regulatory reporting update, accounting policy changes and updates, receive internal audit report; review external audit plan, external audit scope and fee review.

Major financial system or process changes should be made known in a timely manner to the Committee.

The Chief Executive Officer, Chief Financial Officer, Chief Accountant and internal and external auditors are normal attendees at any meeting of the audit committee. However, the Committee can, at the discretion of the Chairman, choose to meet without any one of the aforementioned present. The Company Secretary will act as administrator and minute secretary to the Committee. All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any Director.

## **5. Reporting**

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

The Committee Chairman will provide a brief 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.

## **6. Review**

The Committee will, at least once in each year review the Charter and activities of the Committee, to meet the evolving needs of the Company and changes in the corporate governance environment. The Committee will recommend to the Board the formal adoption of the revised charter for future operations of the Committee.

Reviewed and approved by the Committee – April 2013

Approved by the Ansell Limited Board – April 2013