



Audit and Risk Committee Charter

1. Introduction

- 1.1 The Audit and Risk Committee (**Committee**) is a committee of the Boards of Aveo Group Limited and Aveo Funds Management Limited (**Board**). The principle purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the preparation of financial statements and the maintenance of a sound financial control and risk environment.
- 1.2 This Charter sets out the role and responsibilities delegated by the Board to the Committee and the Committee's composition, structure and primary duties. The Committee will also be guided by the constitutions of Aveo Group Limited and Aveo Funds Management Limited as responsible entity of Aveo Group Trust (**Group**) where relevant.

2. Role and Responsibilities

- 2.1 The Committee will assist the Board to verify and safeguard the integrity of the Group's financial reporting, internal control structure, risk management systems, and external and internal audit functions.
- 2.2 The primary responsibilities of the Committee are to review and report to the Board on the following matters:
 - the integrity of reporting to securityholders and the market on the Group's financial performance and position;
 - appointment, performance, tenure and independence of the Group's external auditor;
 - the appropriateness of the Group's accounting policies;
 - performance of the internal audit function, including approval of the annual internal audit plan and provision of a reporting line independent of management;
 - the adequacy and effectiveness of the Group's financial reporting controls and procedures;
 - the adequacy and effectiveness of the Group's internal control environment and risk management systems; and
 - compliance with relevant laws and regulations.
- 2.3 The Committee will also assist the Board in fulfilling its responsibilities for ensuring the Group has adopted and maintains appropriate corporate governance controls and procedures.
- 2.4 In discharging its role, the Committee will investigate any matter brought to its attention with full and unfettered access to all books, records, facilities and personnel of the Group.
- 2.5 The Committee will engage independent counsel and other advisers to assist in carrying out its responsibilities as and when it is determined necessary.

3. Composition and Structure

- 3.1 The Committee will be structured such that it:
 - consists only of non-executive directors;
 - consists of a majority of independent directors;

- is chaired by an independent chair, who is not the Chair of the Board; and
- has at least three members.

3.2 The Committee members:

- will be financially literate and have a familiarity with finance and accounting principles and understand the operational, financial and strategic risk profile of the Group;
- will be appointed by the Board which will select a Committee member as Chair; and
- will cease to be members if they cease to be a Board member.

3.3 The duties and responsibilities of a member of the Committee will be in addition to those set out for Board members.

4. Meetings

4.1 The Committee may conduct meetings by telephone or videoconference provided that all Committee members involved in the meeting are able to participate in discussion.

4.2 The Committee will meet up to four times each year to coincide with the external auditor's planning process and the half-year and annual financial reporting of the Group. The Committee will also meet at any other time as the Chair considers appropriate. Each Committee member is entitled to reasonable notice of a meeting.

4.3 The Chair will call a meeting of the Committee if so requested by any member of the Committee, the external auditor or the Chair of the Board.

4.4 The quorum for a meeting will comprise any two Committee members or any greater number determined by the Committee from time to time.

4.5 The Committee may invite any Aveo executives and other parties external to Aveo, including the external auditor, to attend any meeting of the Committee.

4.6 The Committee may, at its discretion, elect to meet with the external auditor and/or internal auditor in the absence of Aveo management. Matters discussed with the auditor may include the auditor's judgement on the appropriateness of accounting policies and whether any Aveo employee has attempted to improperly influence, mislead or restrict the auditor's access to information.

4.7 The Group Company Secretary will be the secretary of the Committee. The secretary of the Committee will take minutes of the proceedings and resolutions of Committee meetings and circulate these minutes to the next full Board meeting after each Committee meeting.

5. Scope, Access and Authority

5.1 The Committee is authorised to investigate any matter within the scope of its responsibilities and make appropriate recommendations to the Board.

5.2 Any member of the Committee has the authority to request a copy of any or all reports between the external auditor and management, and the internal auditor and management.

5.3 The Committee has direct access to the Aveo external auditor. It also has the authority to seek any information it requires to carry out its duties from any officer or employee of Aveo.

5.4 The Committee has authority to consult any independent professional advisers it considers appropriate to assist in meeting its responsibilities.

6. Reporting

6.1 The Chair of the Committee reports to the Board at the earliest possible Board meeting after each Committee meeting.

- 6.2 The Committee will prepare and submit to the Board any additional reports as appropriate.
- 6.3 Through the above mechanisms all matters relevant to the Committee's role and responsibilities will be reported to the Board.

7. Primary Duties

The Committee assists the Board in discharging its responsibilities to exercise due care, diligence and skill in the following areas:

7.1 Financial Integrity

- Review the half year and annual financial statements presented by management, together with reports and opinions from the external auditor prior to recommending their approval by the Board.
- Review significant financial reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant estimates and judgement.
- Review the reliability and appropriateness of disclosures in the financial statements and financial reporting to stakeholders, particularly with regard to estimates and judgements.
- In undertaking reviews of financial and external reporting the Committee will do so from the stakeholders' perspective and with a view to ensuring the information is adequate for their needs.

7.2 Audit Effectiveness

External Audit

- Review with the external auditor the scope and terms of the audit engagement and audit fee in accordance with the Board's policy on the provision of audit and other audit services by the external auditor.
- Oversee and appraise the quality and effectiveness of the audits conducted by the external auditor and ensure minimum overlap with the work of the internal auditor.
- Ensure that the audit approach adopted by the external auditor covers all financial statement areas where there is a risk of material misstatement and that audit activities are carried out throughout the Group in the most effective, efficient and comprehensive manner (including placing maximum reliance on the work performed by the internal auditor as appropriate).
- Discuss and resolve any issues arising from audit reports, including any matters that the external auditor may wish to discuss in the absence of management.
- Ensure that the external auditor meets the required standards for auditor independence.

Internal Audit

- Oversee the operation of the internal audit function in accordance with the *Internal Audit Charter*.
- Review the scope, activities, responsibilities, resources, budget and staffing of the internal audit function.
- Review and approve the annual internal audit plan as the programme of work for the internal audit function.
- Review internal audit reports, the status of actions taken by management to address internal audit findings, major incidents reported through the Aveo employee hotline, and any significant disclosures made by whistleblowers in relation to fraud, bribery and corruption or suspected breaches of the *Corporations Act 2001* or the *Australian Securities and Investments Commission Act 2001*.

- Monitor the performance of the internal audit function, including its independence and the effectiveness of the internal audit model in adding value to Aveo.

7.3 Risk Management

- Monitor and review the effectiveness of the risk management and control structure implemented by management and obtain assurance that material business risks are identified and appropriately managed.
- Evaluate the adequacy and effectiveness of the internal control environment and obtain assurance that Aveo assets are safeguarded from error, theft and fraud, and that reliable financial records are maintained.
- Monitor the implementation of business unit and corporate risk management plans and obtain assurance that material risks are identified and appropriate contingency plans are in place.
- Monitor the effectiveness of the Group's policies and practices that relate to compliance, laws, regulations and accounting standards.

7.4 Corporate Governance Controls

- Oversee management's application of the ASX Corporate Governance Council Guidelines in respect of financial reporting and risk oversight.
- Consider the impact of changes in accounting standards, ASX listing rules and legislation.
- Provide assurance that the Group is adequately managing risk relating to corporate governance and market integrity, and that appropriate controls are in place to safeguard against conflicts of interest and fraud, bribery and corruption.
- With the approval of the Board, the Committee will investigate other areas with the objective of enhancing protection against risk and corporate governance failures.

7.5 Selection and Appointment of the External Auditor

- The Committee will regularly consider the basis upon which the external auditor is appointed. In doing so, the Committee will consider the performance and the independence of the external auditor.
- The Committee will promptly advise the Board of the appointment of a new external auditor and ensure that the appointment is put forward to the security holders for their approval at the next meeting of security holders.
- The Committee will monitor and evaluate the performance of the external auditor taking into account the opinions of management.
- The Committee will ensure that the audit engagement partner will be rotated (or extend the eligibility term where relevant) in accordance with the Corporations Act.

8. Review of Charter

8.1 The Committee will review this Charter, together with the *Internal Audit Charter*, on a biennial basis with a view to ensuring the Charter remains consistent with the Committee's authority, objectives and responsibilities.

8.2 Any changes to the Charter recommended by the Committee must be approved by the Board.

9. Publication of Charter

9.1 A copy of the Audit and Risk Charter is available at www.aveo.com.au. The Charter is also made available to security-holders upon request.

This Charter was last approved by the Board on 12 February 2018.