



# Risk and Compliance committee charter

Johns Lyng Group Limited ACN 620 466 248 (Company)

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# **Risk and Compliance committee charter**

## **1. Definitions**

**ASX** means ASX Limited.

**Board** means the Board of Directors of the Company.

**Code** means the Code of Conduct adopted by the Board on 28 September 2017 as amended from time to time.

**Committee** means the Risk and Compliance Committee of the Board.

**Company** means Johns Lyng Group Limited ACN 620 466 248.

**Compliance Working Group** means the group so designated by the Committee consisting of senior management representatives and the Chief Executive Officer.

**Constitution** means the constitution of the Company as amended from time to time.

**Directors** means the members of the Board.

## **2. Establishment of the Committee**

This Charter sets out the basis on which the Board has established the Committee.

## **3. Objectives and purposes**

The objectives and purposes of the Committee are:

- (a) to monitor the Company's adherence to the Code;
- (b) to help the Board achieve its objective in relation to:
  - (i) legal and regulatory compliance; and
  - (ii) internal control and risk management systems;
- (c) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- (d) promote a culture of compliance;
- (e) ensure effective communication between the Board and the senior compliance manager;
- (f) provide a forum for communication between the Board and senior financial and compliance management;
- (g) ensure compliance strategies and the compliance function are effective

Compliance means adhering to the spirit and letter of the Code as applicable to the Group's business activities.

## **4. Duties and responsibilities**

Without limiting section 3 above, the duties and responsibilities of the Committee include:

### **Compliance**

- (a) to monitor, review and assess the Company's compliance, including the effectiveness of

its compliance program;

- (b) to assist in ensuring appropriate compliance information is provided to the Board; and
- (c) to maintain open communication channels among the Committee, the Compliance Working Group, management and internal and external advisers in order to review and discuss specific issues, exchange views and information and confirm respective duties and responsibilities as appropriate.

### **Risk management and internal compliance and control systems**

- (d) 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
- (e) 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; and
  - (ii) disclosing any material change to the risk profile;
- (f) regularly reviewing and updating the risk profile;
- (g) regularly reviewing and approving policies and procedures on risk oversight and management to establish an effective and efficient system for:
  - (i) identifying, assessing, monitoring and managing risk; and
  - (ii) disclosing any material change to the Group's risk profile;
- (h) receiving reports from the management of the Company concerning the Group's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Group;
- (i) assessing the adequacy of the internal risk control system with management and internal and external auditors;
- (j) monitoring the effectiveness of the internal risk control system;
- (k) 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)
- (l) assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk;

## Legal and regulatory risk

- (m) assessing and prioritising the areas of greatest legal and regulatory risk;
- (n) assessing the internal process for determining, monitoring and managing areas of greatest legal and regulatory risk
- (o) receiving reports from management of any actual or suspected fraud, theft or other breach of the law;
- (p) monitoring compliance with legal and regulatory obligations;
- (q) 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;
- (r) receiving and reviewing reports from the senior compliance manager

## Disclosure and reporting

- (s) ensuring management establishes a comprehensive process to capture information that must be disclosed to the **ASX**;
- (t) 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);
- (u) 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;
- (v) assessing internal control systems relating to the release of potentially adverse information; and;
- (w) reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

## 5. Membership of the Committee

### 5.1 Structure

- (a) The Committee should comprise:
  - (i) at least two Directors;

- (ii) all non-executive Directors;
  - (iii) a majority of independent Directors.
- (b) While the Company will aim to have a Committee of at least the size and composition outlined in section 5.1(a) above, this may not always be practicable given the size of the Board and the circumstances of the Group, including the nature of the Group's business. Accordingly, the Board has absolute discretion to determine the appropriate size and composition of the Committee from time to time.
- (c) The Managing Director, Chief Financial Officer and Chief Operating Officer will be standing invitees of each meeting of the Committee.
- (d) The Chair of the Committee (including a Chair elected under section 6.4):
  - (i) will be elected by, and hold office for the period determined by, the members of the Board; and
  - (ii) must be a member of the Committee.

## **6. Proceedings**

### **6.1 Frequency**

- (a) The Committee will meet as frequently as required but must not meet less than two times a year.
- (b) The Chair must call a meeting of the Committee if requested to do so by any Committee member, or by the Company's Managing Director.

### **6.2 Notice and Committee Papers**

- (a) The dates, times and venues of each meeting of the Committee will be notified by the Secretary to all members of the Committee a reasonable time in advance of the meeting.
- (b) Supporting papers for each meeting of the Committee will also be distributed by the Secretary to all members of the Committee a reasonable time in advance of the meeting. All Directors will receive a copy of the supporting papers for each meeting, irrespective of their membership of the Committee, unless the circumstances otherwise require (for example, due to a conflict of interest).

### **6.3 Meeting quorum**

A quorum for a meeting of the Committee is two members. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities powers or discretions vested in, or exercisable by, the Committee.

### **6.4 Chair of the meeting**

- (a) In the absence of the Chair, the remaining members will elect one of their number as Chair of the meeting.
- (b) The Chair of the Committee has a casting vote in addition to their deliberative vote, except that the Chair must not exercise a casting vote at any meeting at which only two of the Committee members who are present are entitled to vote.

### **6.5 Minutes**

Minutes of meetings of the Committee will be distributed to members for confirmation as soon as practicable and, after confirmation, distributed to all Directors unless a conflict of interest exists.

## **6.6 Attendance by other persons**

- (a) Any Director may attend Committee meetings.
- (b) Subject to contrary direction from the Committee, the following people may attend Committee meetings:
  - (i) the Company Secretary;
  - (ii) Compliance Working Group members; and
  - (iii) others deemed appropriate by the Committee from time to time.

## **7. Independent advice and access to information**

### **7.1 Independent advice**

The Committee is entitled to obtain external legal or other independent professional advice, and to seek the attendance of such advisers at meetings if it is considered necessary.

### **7.2 Access**

The Committee is authorised to seek any information it requires from any Company employee or from any other source.

## **8. Role of management**

- 8.1** Management is responsible for designing and implementing risk management and internal compliance and control systems which identify the material risks facing the Group. These compliance and control systems are designed to provide advanced warning of material risks before they eventuate.
- 8.2** Management must regularly monitor and evaluate the effectiveness of these processes and risk plans and the performance of employees implementing them, including through the procedures listed in Appendix A. In addition, management must promote and monitor the culture of risk management within the Group and compliance with internal risk systems and processes by employees.
- 8.3** All employees are responsible for implementing, managing and monitoring these processes and risk plans with respect to material business risks, as appropriate.
- 8.4** Management must report at each Board meeting on risk management to the directors and Risk & Compliance Committee. The reporting must identify the Group's material risks and the extent to which:
  - (a) the Company's ongoing risk management program effectively identifies all areas of potential risk, including with respect to licensing and regulatory issues;
  - (b) adequate policies and procedures have been designed and implemented to manage identified risks;
  - (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
  - (d) proper remedial action is undertaken to redress areas of weakness.

## **9. Identified risks**

There are a number of risks that are inherent to the business activities that the Group undertakes. These risks may change over time as the external environment changes and as the Group expands its operations. The risk management process requires the regular review of the Group's existing risks and the identification of new and emerging risks facing the Group, including financial and non-financial matters. It also requires the management, including mitigation where appropriate, of these risks.

## **10. Review of risk management**

- 10.1** The division of responsibility between the directors, the Risk and Compliance Committee and management aims to ensure that specific responsibilities for risk management are clearly communicated and understood by all.
- 10.2** The reporting obligations of management ensure that the directors and the Risk and Compliance Committee are regularly informed of material risk management issues and actions. This is supplemented by the Risk and Compliance Committee's responsibilities as set out in this charter.
- 10.3** When reviewing risk management reports, the directors may request a separate written statement from the Chief Executive Officer and the Chief Financial Officer confirming that the Company's risk management and internal control systems have been operating effectively in relation to all material business risks for the relevant accounting period and that nothing has occurred since the period end that would materially change this position.

## **11. Reporting**

### **11.1 Reporting to the Board**

The Chair of the Committee (or a person nominated by the Chair of the Committee for that purpose) must report to the Board on the Committee's proceedings following each meeting on all matters relevant to the Committee's duties and responsibilities.

### **11.2 Annual General Meeting**

The Chair of the Committee must attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities and areas of responsibility.

## **12. Performance Review**

The Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board. It may recommend to the Board any suggested changes in the duties and responsibilities of the Committee and the terms of this Charter.

## **13. Approved and adopted**

This Charter was approved and adopted by the board on 28 September 2017.

This Charter was reviewed and amended by the Board on 27 November 2018.

# Appendix A

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

- Evaluating the adequacy and effectiveness of management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for the management of balance sheet risks.
- Evaluating the structure and adequacy of the Group's business continuity plans.
- Evaluating the structure and adequacy of the Group's own insurances on an annual basis.
- Reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies.
- Overseeing the establishment and maintenance of processes to ensure that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- Evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance.
- Disclosing whether the Group has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
- Reviewing the Group's main corporate governance practices for completeness and accuracy.
- Reviewing the procedures that the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices and consumer laws, industrial relations, occupational health and safety, and the environment).
- 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, *Corporations Act 2001* (Cth) and Australian Accounting Standards Board requirements).
- Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework.
- Reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards.