

# **Audit and Risk Committee Charter**

Southern Palladium Limited  
ACN 646 391 899  
(Company)

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## 1 Purpose and authority

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### 1.1 Purpose

The purpose of this Charter is to specify the authority delegated to the Committee by the Board and to set out the role, responsibilities, membership and operation of the Committee.

The primary objective of risk management is to ensure that the Company appropriately manages its business and operating risks. This promotes stakeholder confidence in dealing with or investing in the Company.

The Board:

- (a) recognises that effective management of risk is an integral part of good management and vital to the continued growth and success of the Company;
- (b) recognises that the Company should implement formal and rigorous processes to independently verify and safeguard the integrity of its corporate reporting;
- (c) is responsible for the oversight of the risk management and control framework of the Company, including the development of risk profiles as a part of the overall business and strategic planning process; and
- (d) has implemented a policy framework to ensure that the risks of the Company and its related bodies corporate are identified, analysed, evaluated, monitored and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

### 1.2 Authority

The Committee is a committee of the Board established in accordance with the Company's constitution and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this Charter and under any separate resolutions of the Board granted to it from time to time.

### 1.3 ASX Corporate Governance Principles

The Company has adopted the recommendations provided in the ASX Corporate Governance Principles and, in particular, the recommendations regarding audit committees and risk committees.

## 2 Definitions

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General terms and abbreviations used in this Charter have the meanings set out below:

**ASX** means ASX Limited ACN 008 624 691 or the securities market operated by ASX Limited, as the case may be.

**ASX Listing Rules** means the listing rules of the ASX, as amended from time to time.

**ASX Corporate Governance Principles** means *Corporate Governance Principles and Recommendations (4th Edition, 2019)* as amended from time to time.

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

**CEO** means the chief executive officer of the Company.

**CFO** means the chief financial officer of the Company.

**Chair** means the chair of the Audit and Risk Committee.

**Charter** means this "Audit and Risk Committee Charter".

**Committee** means the Audit and Risk Committee.

**Company** means Southern Palladium Limited ACN 646 391 899.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Secretary** means the company secretary of the Company.

### **3 Role of the Committee**

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The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by the Company, in particular information that is to be provided to members and/or filed with regulators. The Committee will assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- (a) the integrity of the Company's financial reporting systems, internal and external financial reporting and financial statements;
- (b) the appointment, remuneration, independence and competence of the Company's external auditors;
- (c) the performance of the external audit functions and review of their audits;
- (d) the effectiveness of the Company's system of risk management and internal controls; and
- (e) the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

The Committee is also responsible for the review of the Company's risk management program. It must ensure that areas of key risk have been identified, and that the appropriate internal controls have been implemented and are operating efficiently in all material respects. The Committee will review the Company's risk management framework at least once a year to satisfy itself that the framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

The Committee will meet and receive regular reports from its external audit firm concerning matters that arise in connection with the Company's audit. The Committee is also responsible for overseeing the engagement of the external audit firm, including:

- (a) review of the external audit firm's performance;
- (b) the nomination of any new or replacement external audit firm; and
- (c) the scope of the external audit firm's work plan.

The Committee should also consider any proposal for the external audit firm to provide non-audit services and whether the provision of such services will compromise the independence of the external audit firm.

#### **4 Accountability of the Board**

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The Board has ultimate responsibility for overseeing the performance of the Company, including monitoring of its risk management and internal control systems.

The Committee is responsible for preparing a risk appetite statement, identifying the level of risk acceptable to the Company. The Committee will recommend the risk appetite statement to the Board for adoption and will review the risk appetite statement periodically, not less than annually.

The Committee is required to report to the Board on the Company's activities and risk profile in light of this statement, and to put systems and reporting lines in place to enable it promptly to bring to the Board's attention any departure from the risk appetite statement, including without limitation:

- (a) seeking a six monthly sign-off from senior management on risk; and
- (b) seeking six monthly reporting from the Company's compliance committees (if any).

#### **5 Audit and risk responsibilities**

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##### **5.1 External reporting**

The Committee is responsible for:

- (a) reviewing the appropriateness of the accounting judgements or choices exercised by management in the composition and presentation of financial reports;
- (b) overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (c) reviewing and discussing with the external audit firm its report regarding significant findings in the conduct of the audit and management's response to those findings;
- (d) assessing significant estimates and judgements in financial reports by examining the processes used to derive material estimates and judgements and seeking verification of those estimates from external auditors;
- (e) reviewing and making recommendations in relation to the adequacy of the Company's corporate reporting processes and internal control framework;
- (f) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the Company of financial and non-financial information;
- (g) discussing with management and the external audit firm any major issues relating to the system of internal controls over financial information;

- (h) assessing (before publication) whether external reporting is consistent with the understanding of the Committee members and otherwise provide a true and fair view of the financial position and performance of the Company;
- (i) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the Company and making recommendations to the Board on their approval or amendment;
- (j) ensuring that a comprehensive process is established to capture issues for the purpose of continuous reporting to ASX;
- (k) satisfying itself that the declarations provided by the CEO and CFO (or equivalent) in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks;
- (l) reviewing the completeness and accuracy of the Company's main corporate governance practices as required by the ASX Listing Rules;
- (m) assessing information from external auditors that affects the quality of financial reports;
- (n) asking the external auditor for an independent judgement about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the Company;
- (o) assessing solvency and the going concern assumption;
- (p) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur; and
- (q) recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

## 5.2 External audit

The Committee is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (b) making recommendations to the Board on the rotation of the audit engagement partner;
- (c) agreeing the terms of engagement of the external auditor before the start of each audit;
- (d) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (e) making recommendations to the Board on the fees payable to the external auditor for audit and non-audit work;
- (f) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance;

- (g) reviewing the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations;
- (h) receiving and reviewing six monthly reports on non-audit services to determine compliance with the Board's policy on maintaining the independence of the external audit firm;
- (i) reviewing annually the Board's policy on maintaining independence of the external audit firm and recommending any changes if necessary;
- (j) making recommendations to the Board on the removal of the external auditor;
- (k) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (l) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (m) reviewing the scope and adequacy of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (n) raising with the external auditor any specific points of divergence with the Company's management;
- (o) monitoring and examining management's response to the external auditor's findings and recommendations;
- (p) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate; and
- (q) meeting with the external auditor without management present at least once a year.

### 5.3 Risk management

The Committee is responsible for:

- (a) monitoring management's performance against the Company's risk management framework, including whether it is operating within the risk appetite set by the Board;
- (b) reviewing the adequacy of the Company's risk management policy and framework for identifying, assessing, monitoring and managing risk in light of the Board's risk appetite statement and making recommendations to the Board in relation to changes that should be made to the Company's risk management framework or to the risk appetite set by the Board;
- (c) preparing a risk profile which describes the material risks facing the Company including financial and non-financial matters;
- (d) regularly reviewing and updating the risk profile;
- (e) ensuring that the Company has an effective risk management system;
- (f) reviewing, assessing and ensuring that there are internal controls for determining and managing key risk areas, such as, for example:
  - (i) non-compliance with laws, regulations, standards and best practice guidelines including industrial relations, occupational health and safety,

- environmental and trade practices laws (as relevant to the Company from time to time);
- (ii) important judgements and accounting estimates;
  - (iii) a break-down in the risk controls of the Company;
  - (iv) business licence requirements;
  - (v) litigation and claims;
  - (vi) fraud and theft; and
  - (vii) relevant business risks not dealt with by other Board committees,
- and reviewing the lessons learned from any issues which may arise;
- (g) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
  - (h) receiving reports from management on the new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
  - (i) conducting investigations of breaches or potential breaches of any internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting;
  - (j) encouraging voluntary reporting by employees to the Committee of breaches of Company policies, and incidents within the risk areas above;
  - (k) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk;
  - (l) meeting periodically with key management, external auditors and compliance staff to understand the Company's control environment;
  - (m) undertaking periodic strategic risk assessment workshops with senior managers to reassess the Company's material risks and determining whether the current controls are adequate and effective;
  - (n) overseeing the preparation of a summary 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;
  - (o) ensuring that the Company has appropriate internal audit systems and controls in place;
  - (p) reviewing at least annually the Company's implementation of the risk management policy and framework and the Board's risk appetite statement and disclosing on the corporate governance page on the Company's website whether such a review has been carried out in relation to each reporting period; and
  - (q) reviewing the adequacy of the Company's insurance policies, including the terms of annual policy renewals and the creditworthiness and claims payment histories of the Company's principal insurers in light of the Board's risk appetite statement and the insurable risks associated with the Company's business.



#### 5.4 **Related party transactions**

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

### **6 Appointment of external audit firm**

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An external audit partner is to be permanently engaged by the Company to provide shareholder and investor with confidence in respect of the integrity of the Company's financial reports, and audit compliance. The Company requires the external audit partner to maintain independence from the Company in accordance with the Corporations Act and this Charter.

Each year, the Company and the external audit firm should document the terms of engagement and present them to the Committee for approval. Terms of engagement must include:

- (a) confirmation of the external audit firm's continuing independence and the continuing independence of the senior audit partner;
- (b) a requirement for the external audit partner to be present at the annual general meeting for the purpose of answering shareholder questions about the conduct of the audit and the preparation and content of the external audit firm's report. The agenda for the annual general meeting must include a note informing shareholders of their right to put questions to the external audit firm;
- (c) ready access of the external audit partner to the Committee via the Chair; and
- (d) a requirement for the external audit firm to provide the Committee with a full and complete report on the audit, with a copy to be presented to management.

On the completion of the year end audit, the Committee is to receive a copy of the audit closing report which clearly documents any potential issues in the financial statements.

### **7 Internal audit**

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If the Company has an internal audit function, the Committee should review and make recommendations to the Board in relation to:

- (a) the appointment or removal of the head of internal audit;
- (b) the scope and adequacy of the internal audit work plan; and
- (c) the independence, objectivity and performance of the internal audit function.

The Company should also disclose on the corporate governance page on the Company's website the structure and role of its internal audit function.

If the Company has not adopted an internal audit function, it should disclose on the corporate governance page on the Company's website that fact and the alternative processes it employs in order to evaluate and continually improve the effectiveness of its risk management and internal control processes. The Company will also periodically review whether there is a need for an internal audit function if it has not adopted one.

## **8 Membership**

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### **8.1 Composition and size**

The Committee will consist of:

- (a) only non-executive Directors;
- (b) a majority of independent Directors; and
- (c) at least three members.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

### **8.2 Chair**

The Chair must be an independent non-executive Director who is not the chair of the Board.

The Chair must have leadership experience and a strong finance, accounting or business background.

The Chair is appointed by the Board. If, for a particular Committee meeting, the Chair is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chair for the meeting.

### **8.3 Technical expertise**

The Committee must be structured so that, between them, the members of the Committee should have the accounting and financial expertise and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee's duties effectively.

### **8.4 Skills development**

If the Chair approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the Company's expense.

### **8.5 Commitment of Committee members**

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

At the first Committee meeting after their appointment and when the Board reviews Committee membership, each Committee member must confirm that they are able to devote sufficient time and attention to the Committee for the coming year.

### **8.6 Secretary**

The Secretary is the secretary of the Committee.

## **9 Committee meetings and processes**

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### **9.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions in the Company's constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this Charter.

## 9.2 **Frequency and calling of meetings**

It is intended that the Committee will meet at least two times each year or as frequently as required to undertake its role effectively. The Chair must call a meeting of the Committee if requested by any member of the Committee, the external auditor or the chair of the Board.

## 9.3 **Quorum**

Two Directors constitute a quorum for meetings of the Committee.

## 9.4 **Attendance by management and advisors**

The CEO and CFO are expected to attend each scheduled meeting of the Committee.

The Chair may also invite Directors who are not members of the Committee, other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

The Chair may also invite the external auditors to attend meetings of the Committee.

## 9.5 **Agenda and documents**

The Chair determines the meeting agenda after appropriate consultation.

The Secretary distributes the agenda and any related documents to all Committee members and other attendees before each proposed meeting.

## 9.6 **Access to information and advisors**

The Chair receives all reports between the external auditor and management.

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 the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management (where the Committee considers that necessary or appropriate); and
- (d) access and interview management and external auditors (with or without management present).

## 9.7 **Minutes**

The Secretary will keep minute books to record the proceedings and resolutions of its meetings.

The Chair, or delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

## 9.8 **Annual report**

The Company will disclose in the corporate governance section of each annual report the frequency of the Committee meetings, the names, relevant qualifications and

experience of members of the Committee and their attendance at meetings of the Committee.

## **10 Economic, environmental and social sustainability risks**

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The Company will disclose whether it has any material exposure to economic, environmental and social sustainability risks, including climate change.

To the extent the Company is exposed to such risks, it must also disclose how it manages or intends to manage those risks.

If the Company does not consider it has any material exposure to particular environmental or social risks it will consider carefully the basis for this belief and benchmark its disclosures in this regard against those made by its peers.

## **11 Compliance with disclosure obligations**

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The Committee will review all reporting by the Company of its audit and risk policies and practices to ensure that the Company meets its disclosure obligations as required under the ASX Listing Rules and the Corporations Act.

## **12 Committee's performance evaluation**

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The Committee will review its performance annually and whenever there are major changes to the management structure of the Company.

The performance evaluation will have regard to the extent to which the Company has met its responsibilities in terms of this Charter.

## **13 Review and publication of Charter**

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The Board will review this Charter annually to check that it is operating effectively and whether any changes are required to this Charter. The Charter may be amended by resolution of the Board.

The Charter is available on the Company's website. Key features are published in:

- (a) either the annual report or on the Company's website; and
- (b) in the Appendix 4G to be lodged with the ASX at the same time as lodgement of the annual report.

**Approved by the Board on 21 January 2022**