



**HIGHCOM LIMITED
BOARD OF DIRECTORS
CORPORATE GOVERNANCE**

FINANCE & AUDIT COMMITTEE CHARTER

Prepared by	Reviewed by	Approved by
Laurie Gardiner	All Directors	Mark Stevens
Company Secretary	Board of Directors	Chairman of the Board
Date: 10 August 2022	Date: 24 August 2022	Date: 24 August 2022
	Reviewed at Board Meeting	



1. INTRODUCTION

- 1.1 The Finance & Audit Committee is a committee of the Board of Directors of HIGHCOM Limited (**Company**) and has been established in accordance with the Company's constitution.
- 1.2 This policy sets out the scope of the Finance & Audit Committee's responsibilities in relation to the Company.
- 1.3 The role of the Finance & Audit Committee is not an executive role.

2. OBJECTIVE

- 2.1 The objectives of the Finance & Audit Committee are to:
 - (a) assist the Board in achieving its objective in relation to:
 - (i) financial management and reporting
 - (ii) financial risk management
 - (iii) the application of accounting policies
 - (iv) legal and regulatory compliance
 - (v) internal financial control and risk management systems
 - (b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis)
 - (c) promote a culture of financial compliance
 - (d) provide a forum for communication between the Board, the Group Chief Executive Officer and the Chief Financial Officer
 - (e) ensure effective communication between the Board and the Group Chief Executive Officer and the Chief Financial Officer
 - (f) ensure effective internal and external audit functions and communication between the Board and the external and internal auditors
 - (g) ensure financial compliance strategies are effective
 - (h) Maintain and improve the effectiveness of the financial management, cash flow management and capital raisings

3. EXTERNAL FINANCIAL REPORTING

- 3.1 The Finance & Audit Committee is responsible for:
 - (a) assessing the appropriateness and application of the Company's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework
 - (b) obtaining an independent judgment from the external auditor about:
 - (i) the acceptability and appropriateness of accounting policies and principles put forward by management
 - (ii) the clarity of current or proposed financial disclosure practices as put forward by management
 - (c) assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements) by:
 - (i) asking management how they were made



- (ii) asking the external auditors how they concluded that those estimates were reasonable
- (d) reviewing compliance with all related party disclosures required (where applicable) by accounting standards and the *Corporations Act 2001 (Cth)*;
- (e) assessing information from internal and external auditors that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues)
- (f) reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess (among other things):
 - (i) the compliance of accounts with accounting standards and the *Corporations Act 2001 (Cth)*
 - (ii) the nature and impact of any changes in accounting policies during the applicable period
- (g) discussing any draft audit opinion letter with the external auditors before it is finalised
- (h) receiving any management letters
- (i) recommending for adoption by the Board of interim preliminary, final financial reports and the annual report
- (j) reviewing documents and reports from/to regulators and recommending to the Board their approval or amendment
- (k) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters

4. EXTERNAL AUDIT

4.1 The Finance & Audit Committee is responsible for:

- (a) approving and recommending to the Board for acceptance the terms of engagement with the external auditor at the beginning of each year
- (b) regularly reviewing with the external auditor:
 - (i) the scope of the external audit
 - (ii) identified risk areas
 - (iii) any other agreed procedures
- (c) approving and recommending to the Board for adoption policies and procedures for appointing or removing an external auditor, including criteria for:
 - (i) technical and professional competency
 - (ii) adequacy of resources
 - (iii) experience, integrity, objectivity and independence
- (d) recommending to the Board for approval the appointment or removal of an external auditor based on those policies and procedures referred to in paragraph 4(c)
- (e) reviewing and assessing on a regular basis the compliance of the external auditor with criteria referred to in paragraph 4(c)



- (f) recommending to the Board the remuneration of the external auditor
- (g) regularly reviewing the effectiveness and independence of the external auditor taking into account:
 - (i) the length of appointment
 - (ii) the last dates lead engagement partners were rotated
 - (iii) an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services
 - (iv) any relationships with the Company or any other body or organisation that may impair or appear to impair the external auditor's independence
- (h) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee
- (i) recommending to the Board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence
- (j) meeting periodically with the external auditors and inviting them to attend Finance & Audit Committee meetings to:
 - (i) review their plans for carrying out internal control reviews
 - (ii) consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters
 - (iii) make recommendations to the Board
- (k) asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved
- (l) monitoring and reporting to the Board on management's response to the external auditor's findings and recommendations
- (m) reviewing all representation letters signed by management and ensuring information provided is complete and appropriate
- (n) receiving and reviewing the reports of the external auditor

5. INTERNAL AUDIT

5.1 The Finance & Audit Committee is responsible for:

- (a) ratifying the engagement and dismissal by management of any internal audit executive
- (b) ensuring any internal audit executive is independent of the external auditor
- (c) ensuring the external auditor does not provide internal audit services
- (d) overseeing the scope of the internal audit, including reviewing the internal audit team's mission, policy, qualifications and resources
- (e) reviewing and approving the scope of the internal audit plan and work programme
- (f) monitoring the progress of the internal audit work programme and considering the implications of the internal audit findings for the control environment
- (g) monitoring and reporting to the Board on management's responsiveness to internal audit findings and recommendations



- (h) evaluating the process for monitoring and assessing the effectiveness of the internal audit function
- (i) overseeing the liaison between the internal audit team and the external auditor
- (j) receiving and reviewing the internal audit team's reports
- (k) ensuring the internal audit team reports directly to the Finance & Audit Committee, through the Group Chief Executive Officer

6. FINANCE & AUDIT COMMITTEE

6.1 The Finance & Audit Committee is responsible for:

- (a) reviewing and approving the policy of any committee dealing with finance and audit management and compliance within the Company
- (b) receiving and reviewing reports from any such committee

7. AUDITOR SELECTION AND MANAGEMENT RESPONSIBILITIES

7.1 The Finance & Audit Committee must regularly review the performance of its auditor and consider any ongoing appointment.

7.2 The Finance & Audit Committee must ensure that the external auditor rotate the senior audit partner and the audit review partner every five years with suitable succession planning to ensure consistency. The Company must review needs to also require the auditor to rotate other key senior audit personnel engaged in providing audit services to the Company.

7.3 External auditor independence should be legally required and is central to good corporate governance.

7.4 The Finance & Audit Committee must ensure that the auditor is not placed in a position where its objectivity may be impaired or where a reasonable person might conclude that its objectivity has been impaired. This basic requirement also applies to individual members of an audit team. The credibility and integrity of the financial reporting process is paramount.

7.5 Auditor remuneration and non-audit services must comply with the intent of this section.

7.6 The Finance & Audit Committee must have a clear understanding of the types of services (both audit and non-audit) provided by the external auditor. Disclosure needs are:

- (a) disclose in their annual report the fees paid for non-audit services during the reporting year
- (b) provide a statement in their annual reports as to whether the audit committee is satisfied that the provision of non-audit services is compatible with auditor independence

7.7 The Company must not give work to the external auditor likely to give rise to a 'self review threat' (as defined in Australian Professional Statement F1, *Professional Independence*). The external auditor must not (among other things):

- (a) prepare the company's accounting records and financial statements
- (b) carry out valuations for the company
- (c) provide audit staff for secondment to management positions
- (d) be involved in the implementation of key systems with financial implications
- (e) give advice that has a significant impact on the value of a material asset or liability
- (f) provide internal audit services



- (g) provide legal services
 - (h) be involved in corporate finance activities
- 7.8 The Finance & Audit Committee must adopt both a qualitative and quantitative approach to assessing the materiality of non-audit services to the company, the auditor and the audit team.
- 7.9 A former partner or other senior employee of the external auditor who was directly involved in an audit of a company must not be considered as a Director of the Company or one of its related corporations or take a position with a group company for two years after they leave the external auditor.
- 7.10 The Finance & Audit Committee must require the external auditor to confirm annually that:
- (a) it has complied with all professional regulations relating to auditor independence (for example, Australian Professional Statement F1)
 - (b) the external auditor has maintained its independence
 - (c) the total fees received by the external auditor from the group do not have a material impact on the auditor's operations or financial condition
 - (d) a group member has not withheld any fees from the external auditor; and
 - (e) there is not any litigation between a group member and the external auditor
- 7.11 The auditor must also be required to show that it has adopted and applies policies and procedures to:
- (a) identify and measure any threat to independence
 - (b) eliminate or reduce any identified threat to independence to an acceptable level
 - (c) identify interests or relationships between the auditor, audit team members and clients
 - (d) prevent individuals who are not members of the audit team from influencing the external audit
 - (e) otherwise comply with relevant best practice

8. OTHER RESPONSIBILITIES

- 8.1 The Finance & Audit Committee is responsible for:
- (a) assessing and recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to Directors' and officers' liability, company reimbursement, professional indemnity, crime, special accident and trustees liability
 - (b) if it considers appropriate, investigating any complaint or allegation made to it
 - (c) reporting to the Board on any industry development affecting the control environment
 - (d) reviewing and monitoring any related party transaction and recommending its approval
 - (e) ensuring the finance and audit management and compliance policies and procedures are adequately documented and that those documents are reviewed and updated for any legal and regulatory developments

9. FINANCE & AUDIT COMMITTEE COMPOSITION

- 9.1 The Finance & Audit Committee comprises of:
- (a) at least two Directors



- (b) a non-executive Director as Chairperson
- (c) ideally, a majority of independent Directors
- (d) the Company Secretary

- 9.2 The Finance & Audit Committee will appoint its Chairperson. The Chairperson must an independent Director and may not be the Chairperson of the Board.
- 9.3 The Company Secretary is to be the Secretary of the Finance & Audit Committee.
- 9.4 The Finance & Audit Committee must be of sufficient size, independence, and technical expertise to effectively discharge its mandate.
- 9.5 Each member of the Finance & Audit Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.
- 9.6 Each member of the Finance & Audit Committee should have an understanding of the industry in which the Company operates.
- 9.7 The Board will decide appointments, rotations and resignations within the Finance & Audit Committee having regard to the ASX Listing Rules and the *Corporations Act 2001 (Cth)*.

10. FINANCE & AUDIT COMMITTEE MEETINGS

- 10.1 The Finance & Audit Committee will meet as often as it considers necessary.
- 10.2 A quorum for a Finance & Audit Committee meeting is two Finance & Audit Committee members.
- 10.3 Finance & Audit Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.
- 10.4 The Finance & Audit Committee may pass or approve a resolution without holding a meeting in accordance the procedures (so far as they are appropriate) in section 248A of the *Corporations Act 2001 (Cth)*.
- 10.5 The Finance & Audit Committee may invite other persons it regards appropriate to attend Finance & Audit Committee meetings.

11. MINUTES OF FINANCE & AUDIT COMMITTEE MEETINGS

- 11.1 The Finance & Audit Committee must keep minutes of its meetings.
- 11.2 Minutes of each Finance & Audit Committee meeting must be included in the papers for the next full Board meeting after each meeting of the Finance & Audit Committee.
- 11.3 Minutes must be distributed to all Finance & Audit Committee members, after the Finance & Audit Committee Chairperson has approved them.
- 11.4 Minutes, agenda and supporting papers are available to Directors upon request to Company Secretary.

12. REPORTING TO THE BOARD

- 12.1 The Finance & Audit Committee Chairperson must report the Finance & Audit Committee's findings to the Board after each Finance & Audit Committee meeting.





13. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

- 13.1 The Finance & Audit Committee may seek any information it considers necessary to fulfil its responsibilities.
- 13.2 The Finance & Audit Committee has access to:
- (a) management to seek explanations and information from management; and
 - (b) internal and external auditors to seek explanations and information from them, without management being present.
- 13.3 The Finance & Audit Committee may seek professional advice from employees of the Company and from appropriate external advisers, at the Company's cost. The Finance & Audit Committee may meet with these external advisers without management being present.

14. REVIEW OF CHARTER, COMMITTEE COMPOSITION AND COMMITTEE PERFORMANCE

- 14.1 The Finance & Audit Committee will review this policy annually or as often as it considers necessary.
- 14.2 The Board may change this policy from time to time by resolution.

