

## Audit and Risk Committee Charter

### December 2018

#### 1. Purpose of the Charter

- 1.1. The Audit and Risk Committee ('Committee') is a committee of the ASX Limited Board ('Board').
- 1.2. This Charter sets out the role, responsibilities, composition and operation of the Committee.

#### 2. Role

- 2.1. The primary function of the Committee is to discharge its responsibilities in Section 3 and, in the course of doing so, assist the Board to carry out the following:
  - a) review and monitor the integrity of ASX Limited's consolidated financial reports and statements;
  - b) review and oversee systems of risk management, internal control and regulatory compliance (including systems and processes in place to achieve compliance by the ASX Group's market licensees with their statutory obligations as licence holders);
  - c) review the adequacy of the ASX Group's corporate reporting processes;
  - d) oversee the process for:
    - (i) identifying significant risks facing the ASX Group; and
    - (ii) implementing appropriate and adequate control, monitoring and reporting mechanisms; and
  - e) liaise with and monitor the performance and independence of the external auditor
  - f) monitor ASX's culture to gauge how it is aligned with:
    - (i) conduct consistent with sound and effective risk management;
    - (ii) financial market integrity; and
    - (iii) the reputation and brand of ASX.
- 2.2. The Committee is responsible for reviewing and overseeing the risk management processes, internal controls and compliance systems within the ASX Group, with the exception of those matters carried out by the clearing and settlement boards ('CS boards') as set out in the CS boards charter.
- 2.3. The Committee serves as the audit and risk committee for the CS boards where such matters relate to:
  - a) clearing and settlement operations outside the matters carried out by the CS boards as set out in the CS boards charter; and
  - b) cyber resilience of the CS facilities; and

- c) reviewing and overseeing the methodology and process for preparing the Cash Market Clearing and Cash Market Settlement Management Income Statements and the ASX internal cost allocation and transfer policy between ASX Group entities for clearing and settlement of cash equities in Australia prepared pursuant to the *Cash Equities Clearing and Settlement Code of Practice*, and the independent external auditor's report relating to those statements.
- 2.4. In discharging its responsibilities in Section 3, the Committee also assists the CS boards to carry out their review and oversight of systems and processes in place to achieve compliance with their statutory obligations as licence holders.
- 2.5. The Committee has authority to:
- a) investigate any activity within its Charter and any matters specifically requested by the Board or CS boards; and
  - b) resolve any disagreements between Management and the external auditor regarding financial reporting.

### 3. Responsibilities

The responsibilities of the Committee include, but are not limited to:

#### 3.1. Corporate Reporting

- a) Review half-yearly and yearly financial reports and statements with Management and the external auditor.
- b) Review and make recommendations to the Board regarding significant financial, accounting and reporting issues.
- c) Review ASX's corporate reporting and disclosure processes and the outputs of those processes.
- d) Review the appropriateness of the accounting policies adopted by Management in relation to the financial reports and statements.
- e) Receive representations and attestations from the Managing Director and CEO and CFO.
- f) Review financial statements and reports for compliance with accounting standards and policies and other requirements relating to their preparation.
- g) Assess whether the half-year and full-year financial reports are consistent with the Committee members' information and knowledge.

#### 3.2. External Audit

- a) Annually consider the appointment of the external auditor and, as required, consider the procedures for the selection and appointment of the external auditor and whether an audit tender process is required. Any recommendation to change the external auditor would require Board and shareholder approval.
- b) Review and approve the terms of engagement and fees of the external auditor at the start of each audit.

- c) Consider and review the scope of work, reports and activities of the external auditor including interaction with internal audit.
- d) Review the findings of the audit with the external auditor, and monitor Management's response to reviews and recommendations of the external auditor
- e) Establish and review policies as appropriate in relation to independence of the external auditor.
- f) Assess the independence of the external auditor based on the information received from the external auditor and Management. In assessing independence, the Committee considers:
  - (i) the employment of former employees of the external auditor;
  - (ii) policies on the supply of non-audit services by the external auditor;
  - (iii) the fees for audit and non-audit services provided by the external auditor on a regular basis;
  - (iv) the rotation of audit partners;
  - (v) the external auditor's own statement on independence; and
  - (vi) any other information from the external auditor setting out its relationships that may affect its independence.
- g) Review the effectiveness of the annual audit and the performance of the external auditors taking into account the opinions of Management and internal audit.

### 3.3. Risk Management, Internal Audit and Internal Control

- a) Review the ASX Group enterprise risk framework for identifying, monitoring and managing significant business risks across the ASX Group and consider whether the enterprise risk framework and internal controls effectively identify areas of potential, material risk.
- b) Consider the effectiveness of the ASX Group's internal control system, recognising those matters in respect of which the Board and the Committee rely on the CS boards.
- c) Review and approve the charter, annual audit plans and activities for the internal audit function (and where appropriate, without Management present).
- d) Review the internal auditor's reports on significant findings and recommendations on internal control.
- e) Monitor Management's response to reviews and recommendations of the internal auditor regarding internal control systems and procedures.
- f) Review the adequacy of resources and governance arrangements of the internal audit function.
- g) Review and concur on the appointment, replacement and remuneration of the General Manager Internal Audit.
- h) Review the performance, objectivity, independence and effectiveness of the internal audit function.

### 3.4. Insurance Program

Review the ASX Group's insurance program at least annually having regard to the ASX Group's business and the insurable risks associated with the ASX Group's business.

### 3.5. Compliance and Conflict Handling Arrangements

- a) Review the ASX Group's framework for identifying, monitoring and managing compliance with laws and regulations.
- b) Review regular reports from Management in relation to ASX Group's compliance with its statutory, licence and other key obligations and matters arising.
- c) Without limiting the above, review regular reports from the Listings Compliance and Risk functions in relation to:
  - (i) the arrangements for monitoring and enforcing compliance with the operating rules of the ASX Group's market licensees; and
  - (ii) the arrangements for enforcing compliance with the operating rules of the ASX Group's CS facility licensees,(together, the 'Compliance Arrangements') with such reports to include:
  - (iii) information in relation to the performance by Listings Compliance and Participants Compliance of their compliance and enforcement functions; and
  - (iv) information in relation to the resources (including financial, technological and human resources) for performing those compliance and enforcement functions.
- d) Monitor the adequacy of the Compliance Arrangements and the other activities undertaken by the Listings Compliance and Participants Compliance functions.
- e) Review quarterly reports from the Chief Compliance Officer and the Chief Risk Officer to the ASX Group Licensees certifying that, in each of their opinions and within their respective areas of responsibility, the ASX Group Licensees have in place adequate arrangements for monitoring and enforcing compliance with their operating rules.
- f) For the avoidance of doubt, the Committee does not make compliance or enforcement decisions relating to the circumstances of a particular listed entity, product issuer or participant. Those decisions are administered by management delegated with compliance and enforcement decision making authority.
- g) Monitor the governance arrangements and controls that ASX has in place to address actual and perceived conflicts of the ASX Group Licensees ('Conflict Handling Arrangements').

### 3.6. Cyber resilience

- a) Monitor the framework for identifying, mitigating and managing ASX Group's cyber resilience.
- b) Consider the effectiveness of the ASX Group's cyber resilience risk control systems.

## 4. Composition and Operation

- 4.1. The members of the Committee and Committee Chair are appointed by the Board.
- 4.2. The Committee will consist of at least three members all of whom are non-executive directors. The majority of members, including the Committee Chair, must be independent directors. The Chairman of ASX Limited may not chair the Committee.
- 4.3. Each member must have a working familiarity with general finance and accounting practices. At least one member of the Committee must have accounting or related financial management expertise.
- 4.4. The Committee shall meet at least four times per year, or more frequently as required. The Committee Chair will call a meeting of the Committee if requested by any member of the Committee, the external auditor, internal auditor or the Chairman of the Board.
- 4.5. A quorum shall be any two members or any greater number determined by the Board.
- 4.6. The Committee may delegate authority to subcommittees of the Committee.

## 5. Access and Advisers

- 5.1. The Committee has unrestricted access to all records and staff of the ASX Group (including internal audit and the external auditor without Management present) and has the right to seek explanations and additional information from Management and auditors.
- 5.2. As necessary or desirable, the Committee may invite
  - a) members of Management, internal audit, representatives of the external auditor and / or other external advisors to be present at meetings of the Committee; and
  - b) one or more persons with suitable qualifications and experience to be present at meetings of the Committee for reports in relation to the Compliance Arrangements and Conflict Handling Arrangements.
- 5.3. At least annually, the Committee shall meet separately with each of the external auditor and internal auditor without Management present. For the purpose of supporting the independence of their functions, the external auditor, General Manager Internal Audit, General Manager Regulatory Assurance and General Manager Technology Security and Governance have a direct reporting line to the Committee. For similar reasons, the Chief Compliance Officer reports directly to the Committee Chair in relation to the performance of the functions of Listings Compliance and ASX enforcement matters and the General Manager Participants Compliance reports directly to the Committee Chair in relation to the performance of the functions of Participants Compliance. The external auditor may also report to the Board.
- 5.4. Under the terms of the ASX's Whistleblowing Policy ASX staff have access to the Committee Chair.
- 5.5. The Committee may directly seek independent, professional or other advice as required to carry out its responsibilities.

## 6. Relationship with other ASX Group Governance Forums

- 6.1. The Committee reports to the Board. Committee meeting minutes will be provided to the Board for noting.

- 6.2. ASX non-executive directors who are not Committee members may attend Committee meetings.
- 6.3. The Committee will also provide reporting to Board Committees and the CS boards (as appropriate) on matters which have been delegated to it or which are relevant to those bodies. These reports may be verbal.
- 6.4. Each year, the Committee will report to the CS boards a summary of the activities it has carried out relevant to those boards and confirm all obligations delegated to the Committee have been carried out.
- 6.5. The Committee considers, and (where appropriate) relies, on reviews and confirmations from the external auditor, Management attestations, external audit review and / or subsidiary board review in considering the financial statements of ASX Group subsidiaries. The Committee also considers, and (where appropriate) relies, on reviews and confirmations from the external auditor, internal audit Regulatory Assurance, and Technology Security, together with Management attestations, in order to assist the Committee to carry out its functions.

## **7. Review**

- 7.1. The Committee will review this Charter annually to keep it up to date and consistent with the Committee's authority, objectives and responsibilities.
- 7.2. Amendments to the Charter, other than updates for ASX branding or position titles, are to be approved by the Board.
- 7.3. The Committee undertakes an annual self-assessment of its performance to confirm that all activities listed in the Charter have been addressed, and reports this information to the Board.