

# Audit and Risk Committee Charter

## 1 Purpose

The Audit and Risk Committee (the **Committee**) is a committee of the DuluxGroup Limited (**DuluxGroup**) Board established pursuant to clause 8.14 of the Company's Constitution with delegated powers as set out in this Charter to assist the Board in the effective discharge of its responsibilities for financial reporting, internal control structures, internal and external audit functions and risk management systems.

In particular, the Committee is to undertake the functions of an audit and risk committee consistent with the ASX Corporate Governance Principles and Recommendations (Third Edition).

## 2 Membership

- 2.1 The Audit and Risk Committee will comprise at least three independent non-executive directors.
- 2.2 The Committee will be chaired by an independent Director. The Chairman of the Committee must not be the Chairman of the Board. Should the Committee Chair be unable to fulfil his/her duties as Chair for a particular meeting, the Chair may either delegate to a nominee (including the Chairman of the Board) or the members of the Committee present at the meeting are authorised to choose an alternate chair for that meeting (including the Chairman of the Board).
- 2.3 The Chairman, members, and term of appointment of each member shall be determined by the Board. Any non-executive directors who are not members may also attend meetings of the Committee.
- 2.4 With regard to the profile of DuluxGroup, it is intended that the members of the Committee between them 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 responsibilities effectively.
- 2.5 The Secretary to the Board will be the Secretary of the Audit and Risk Committee. Should the Secretary be unable to fulfil his/her duties as Secretary for a particular meeting, the Secretary may delegate his/her duties to a nominee approved by the Chair.

## 3 Meetings

- 3.1 The Committee shall meet as frequently as required but not less than four times a year.
- 3.2 The Chairman of the Committee or the Secretary may call a meeting and the Secretary must prepare an agenda to be circulated to each Committee member and other executives and persons invited to attend, together with relevant papers, prior to the meeting.

- 3.3 The Chairman of the Committee must call a meeting of the Committee if so requested by any Committee member, the external auditor, the internal auditor (if any) or the Chairman of the Board.
- 3.4 The Committee may invite other persons, such as the Managing Director/CEO, the CFO, other representatives of management, the internal auditor (if any) or the external auditor to attend meetings if considered appropriate by the Chairman of the Committee.
- 3.5 Two members of the Committee shall constitute a quorum.
- 3.6 The Committee may meet with the external auditors and/or the internal auditor function without members of management being present whenever it is deemed appropriate by the Chairman of the Committee.
- 3.7 The Chairman of the Committee will report to the Board following each Committee meeting and annually report back against the Committee's charter.

#### **4 Responsibilities**

The Committee has no delegated authority (except as specifically set out below), but will make recommendations to the Board on the following matters (amongst other things):

- 4.1 DuluxGroup's business
  - (a) the Group's structure and businesses to ensure that it can adequately assess the risks faced by the Group;
- 4.2 Corporate Reporting
  - (a) the annual and half yearly financial and other corporate reports prepared for DuluxGroup;
  - (b) the accounting policies of DuluxGroup;
- 4.3 Assessment of internal controls
  - (a) the scope and adequacy of audit programmes of internal and external auditors and any material issues arising from these audits;
  - (b) DuluxGroup's systems of accounting and internal controls;
  - (c) the independence of external auditors and determining procedures for the rotation of audit partners;
  - (d) the appointment and termination of internal and external auditors, terms of their engagement and the level of their fees; and
  - (e) the performance of the internal and external auditors.
- 4.4 External audit
  - (a) the pre-approval of the scope and adequacy of all audit and non-audit services provided by the external auditor in accordance with the financial limits and other conditions set out in the Company's approved Non-Audit Services Policy, including whether the provision

of non-audit services might compromise the independence of the external audit.

#### 4.5 Internal audit

- (a) the calibre of finance employees and how they manage and perceive DuluxGroup's risk management culture and soundness of internal controls;
- (b) the appointment and dismissal of the executive responsible for the internal audit function and any outsourced internal audit support required;
- (c) the performance and objectivity of the internal audit function generally including the maintenance of an appropriate direct reporting line from the internal audit function to the Committee and the CEO and CFO;
- (d) the audit support necessary having regard to the location and breadth of Group operations; and
- (e) the pre-approval of the scope and adequacy of all audit and non-audit services provided by the internal auditor in accordance with the financial limits and other conditions set out in the Company's approved Non-Audit Services Policy.

#### 4.6 Risk management

- (a) the adequacy of the Group's risk management strategies and systems of control, including information technology security and control, by reviewing reports of Management, the external audit and internal audit;
- (b) the effectiveness of the Company's financial risk management systems in respect of both the identification and management of risks by reviewing reports of Management, the external audit and internal audit;
- (c) the evaluation of any material exposure of the Company to economic, environmental and social sustainability risks and, if necessary, recommending management of those risks.
- (d) the Company's risk management framework including reviewing it at least annually to satisfy itself that the framework continues to be sound;
- (e) the scope of the internal and external auditor's review of internal controls, and obtain reports on significant findings and recommendations, together with Management's responses;
- (f) the ability of the Company to fund its activities, having regard to current funding arrangements and strategies and the Company's outlook as to solvency;
- (g) the prudence of gearing levels, interest cover and compliance with banking covenants;
- (h) post audit reviews of major capital expenditures and acquisitions;
- (i) oversight of the Company's tax risks including any material tax issues; and
- (j) the appropriateness of the Group's insurance program and the adequacy of insurance coverage taking account of the Group's strategies.

#### 4.7 Compliance

- (a) the adequacy of the Company's systems to monitor, report and ensure compliance with laws, and regulations and accounting standards that may impact its financial statements;
- (b) the Company's systems for the control and reporting of unusual and/or high risk transactions, including levels of authority;
- (c) ensuring the Group has processes in place to support the certifications to be provided by the Managing Director/CEO and CFO, including receipt of declarations from the Managing Director/CEO and CFO that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company;
- (d) the adequacy of the Company's policies relating to financial reporting and controls, including compliance with laws, accounting standards, regulations and ethical guidelines;
- (e) reviewing, assessing and understanding any significant accounting and reporting issues, including complex or unusual transactions, estimates and judgements, and recent professional and regulatory pronouncements, examining Management's methods and processing, and reasoning for the use of those methods and processes;
- (f) ensuring all necessary compliance reports, statements and representations in relation to paragraph (d) and (e) above are provided by Management in accordance with the internal control and other reporting procedures,
- (g) procure other special purpose reports as required and review all such reports; and
- (h) reviewing and monitoring related party transactions.

#### 5 Authority

- 5.1 In carrying out its duties the Committee shall have the authority to discuss directly with management, internal auditors or the external auditors any issue within its remit and to request reports, explanations and information of any of the activities, procedures or accounts of DuluxGroup.
- 5.2 The Committee is authorised by the Board to obtain outside legal or other professional advice if it considers this necessary.

#### 6 Review and changes to this charter

- 6.1 The Committee will review this charter annually or as often as it considers necessary.
- 6.2 The Board may change this charter from time to time by resolution.

#### 7 Approved and adopted

This charter was approved by the DuluxGroup Limited Board on 25 October 2018.