

Audit and Risk Committee Charter

1 Purpose

The Audit and Risk Committee (the **Committee**) is a committee of the DuluxGroup Limited (**DuluxGroup**) Board created 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.

2 Membership

- 2.1 The Audit and Risk Committee will comprise three independent non-executive directors with relevant financial, commercial and risk management experience.
- 2.2 The Committee will be chaired by an independent Director. The Chairman of the Committee must not be 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 appropriate that members of the Committee have a wide range of skills and backgrounds. All members shall be financially literate.
- 2.5 The Secretary to the Board will be the Secretary of the Audit and Risk Committee.

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.
- 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, 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 Financial Reporting
- (a) the annual and half yearly financial reports prepared for DuluxGroup;
 - (b) the accounting policies of DuluxGroup;
- 4.3 Assessment of internal and external controls
- (a) the scope 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 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 all audit and non-audit services provided by the external auditor, having regard to DuluxGroup's Non-external Auditor Services Policy.
- 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) review and approve the appointment and dismissal of the executive responsible for the internal audit function and any outsourced internal audit support required; and
 - (c) the audit support necessary having regard to the location and breadth of Group operations.
- 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 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;
- (d) the ability of the Company to fund its activities, having regard to current funding arrangements and the Company's outlook as to solvency;
- (e) the prudence of gearing levels, interest cover and compliance with banking covenants;
- (f) funding strategies of the Company; and
- (g) post audit reviews of major capital expenditures and acquisitions.

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;
- (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 8 July 2010 and was adopted by the Audit and Risk Committee on 10 August 2010.