

Audit and Risk Committee Charter

Prospera Group Limited

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Document Management

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Audit and Risk Committee Charter

1. MEMBERSHIP OF THE COMMITTEE

The Committee must consist of:

- only non-executive Directors;
- a majority of independent Directors;
- an independent Chair, who is not Chair of the Board; and
- a minimum of 3 members of the Board.

The Board will nominate the Chair of the Committee from time to time.

The Board may appoint additional non-executive Directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Board members may attend Committee meetings at any time. Others, including members of management, the external auditor and the internal auditor may attend meetings of the Committee at the invitation of the Committee Chair.

It is intended that all members of the Committee should be financially literate and have familiarity with financial management and the members between them must 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 mandate effectively.

2. ROLE AND RESPONSIBILITIES

2.1 Overview

The Committee's key responsibilities and functions are to oversee the Company's:

- (a) financial reporting process;
- (b) relationship with the external auditor and the external audit function generally;
- (c) relationship with the internal auditor (recognising that the internal audit function is currently provided by an external organisation);
- (d) financial controls and systems;
- (e) processes for monitoring compliance with laws and regulations; and
- (f) processes for identifying and managing risk.

2.2 Financial reporting

The responsibilities of the Committee in relation to financial reporting are as follows:

- (a) Review, and discuss with management and the external auditor, the Company's corporate and financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes.

- (b) Review the Company's half-yearly and yearly financial statements for completeness, for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company, as a basis for recommendation to and adoption by the Board.
- (c) Receive and review reports of the external audit of the Company's financial statements.
- (d) Review and make recommendations to the Board in relation to the appropriateness of the accounting policies, judgements and choices adopted by management in preparing the Company's financial reports, including significant changes in the selection or application of accounting principles.
- (e) Review any proposed payment of a dividend to shareholders.
- (f) Review the financial sections of the Company's Annual Report and related regulatory filings prior to release and consider the accuracy and completeness of the information provided.
- (g) Before the Board approves the half-yearly and yearly financial statements, receive from the CEO and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with accounting standards and give a true and fair view of the financial position of the Company, and that this opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively. Ensure an appropriate review of any identified exceptions.
- (h) Review the management representation to the external auditor in relation to the half-yearly and yearly financial statements.
- (i) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- (j) Ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.
- (k) Discuss with management and the external auditor the process for and disclosures made by the CEO and CFO in connection with their certification of the periodic reports.

2.3 External audit

The responsibilities of the Committee in relation to the external audit are as follows:

- (a) Review and make recommendations to the Board in relation to the scope and adequacy of the external audit, including the proposed fees.
- (b) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditor believes special attention is necessary.
- (c) Review with the external auditor its report regarding significant findings in the conduct of its audit and the adequacy of management's response and monitor whether any issues are being managed and rectified in an appropriate and timely manner.
- (d) Separately from management, discuss with the external auditor matters relating to the conduct of the audit, including the timeliness of its reporting, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to

requested information, significant disagreements with management (if any) and adequacy of management's response.

- (e) Review the performance, independence and objectivity of the external auditor at least annually.
- (f) Review the procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners.
- (g) Recommend to the Board the selection and termination of the external auditor, subject to any shareholder approval.
- (h) Review annually and recommend to the Board, the external auditor's terms of engagement (including the audit plan) and other contractual terms, fees and other compensation to be paid to the external auditor and ensure that any key risk areas for the Company and financial requirements are incorporated into the audit plan.
- (i) Oversee the operation of the External Audit Policy.
- (j) Oversee the compliance with the Company's policy on the engagement of the external auditor to supply non-audit services.
- (k) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's Annual Report.
- (l) Oversee the coordination of the internal and external audit.

2.4 Risk management and internal control

The responsibilities of the Committee in relation to risk management and internal control are as follows:

- (a) Oversee and advise the Board on high-level risk related matters, including risk appetite and tolerance in determining strategy, as well as management of key risks.
- (b) Review, at least annually, the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk and report to the Board on its findings.
- (c) Oversee management's implementation of the risk management strategy, including:
 - ensuring that management has appropriate processes for identifying, assessing and responding to risks in a manner that is consistent with the Company's risk appetite, and that those processes are operating effectively;
 - challenging management's proposals and decisions on all aspects of risk management arising from the Company's activities; and
 - seeking reports from management on any key risk exposures and incidents.
- (d) Review the trends in the Company's risk profile and report to the Board on key risks.
- (e) Monitor whether management is communicating the importance of internal control and management of risk throughout the organisation and therefore setting up an appropriate 'control culture'.

- (f) Review and make recommendations to the Board in relation to the risk disclosures in the Company's periodic reporting documents, including the Operating and Financial Review in its Annual Report.
- (g) Evaluate the adequacy and effectiveness of the Company's identification and management of economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks.
- (h) Oversee the establishment and maintenance of processes to ensure that there is:
 - an adequate system of internal control, management of business risks and safeguard of assets; and
 - a regular review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- (i) Evaluate the Company's exposure to internal and external fraud, overseeing investigations of allegations of internal fraud or malfeasance and make recommendations to the Board in relation to any incident involving internal fraud or external fraud due to a breakdown of the Company's internal controls.
- (j) At least annually, evaluate and make recommendations to the Board in relation to the structure and adequacy of the Company's insurance program having regard to the Company's business and the insurable risks associated with its business.

2.5 Compliance

The responsibilities of the Committee in relation to compliance are as follows:

- (a) Review the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as anti-money laundering, trade practices and occupational health and safety).
- (b) Review and discuss with management and the internal and external auditor the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs, including monitoring compliance with Company policies.
- (c) Obtain regular updates from management on any compliance matters.
- (d) Review the findings of any compliance-related examinations by regulatory agencies and authorities.
- (e) Review the Company's Code of Conduct, and ensure arrangements are in place for dissemination to all employees, including communicating the importance of the Code of Conduct and monitoring compliance.
- (f) Oversee and monitor the establishment, operation and implementation of the Company's Speak Up policy and procedures that are in place from time to time (including in relation to financial reporting, audit and internal control and other matters about which employees have concerns) and recommend to the Board any necessary changes.

2.6 Related party transactions

The responsibilities of the Committee in relation to related party transactions are as follows:

- (a) Review and monitor all related party transactions and investments involving the Company.

3. RIGHTS OF ACCESS AND AUTHORITY

The Committee has unrestricted access to information it considers relevant to its responsibilities. The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.

The internal audit function, currently provided by an external organisation, has a direct reporting line to the Committee and, therefore, to the Board.

4. REVIEW OF CHARTER

The Board will review the membership and Charter of the Committee every two years to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

5. ADMINISTRATIVE MATTERS AND PROCEDURES

The proceedings of the Committee will be conducted in accordance with provisions set out in Attachment 1.

ATTACHMENT 1

ADMINISTRATIVE MATTERS AND PROCEDURES

MEETINGS

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet quarterly.

Meetings of the Committee may be held or participated in by conference call or similar means, and decisions made by circular or written resolution.

QUORUM AND VOTING

The quorum is at least 2 independent Directors. Each member of the Committee will have one vote. The Committee Chair will not have a casting vote. If there is a tied vote, the motion will be referred to the Board for resolution.

SECRETARY

The Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

CONVENING AND NOTICE OF MEETING

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee of every meeting of the Committee. However, there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

INDEPENDENT ADVICE

The Committee may seek the advice of the Company's external or internal auditors, solicitors or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require and at the Company's expense.

MINUTES

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee chair, be presented at the next Board meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose.

REPORTING

The Committee chair will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors may, within the Board meeting, request information of members of the Committee.