



# Audit & risk management committee charter

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## 1. Introduction

This Charter sets out the specific responsibilities delegated by the Board to the Committee and provides support for the manner in which the Committee will operate.

## 2. Authority

- 2.1. The Committee's scope includes Calix and its subsidiaries.
- 2.2. The Board authorises the Committee, within the scope of its responsibilities to:
  - a) Seek any information it requires from:
    - i. Any employee (all employees are directed to co-operate with any request made by the Committee).
    - ii. External parties
  - b) Obtain external, independent legal or professional advice at the expense of Calix.
  - c) Ensure the attendance of Company officers at meetings as appropriate.
- 2.3. The Committee shall have unlimited access to both the internal and external auditors and to senior management of the Company.
- 2.4. Non-members of the Committee may be asked to withdraw from all or any part of a meeting.
- 2.5. Non- members of the Committee have no voting power.
- 2.6. The Committee is to operate within the framework of this Charter; however, Committee members may raise any other matters considered desirable.
- 2.7. The Committee is a committee of the Board and has no authority independent of the functions delegated to it and is to report its findings and recommendations directly to the Board. The functions of the Committee shall not relieve the Board from any of its responsibilities.
- 2.8. There is to be no delegation of executive power to the Committee.
- 2.9. The Committee may initiate special investigations as it sees fit, or as directed by the Board, in relation to matters sets out in this Charter.

## 3. Objectives

The primary objective of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to financial reporting, internal control structure, risk management procedures and the internal and external audit function.

## 4. Roles and responsibilities

The Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to this Charter in order to facilitate decision making by the Board.

The Committee has three separate but related responsibilities:

- 4.1. Financial Management
- 4.2. Audit
- 4.3. Risk Management

## 5. Roles & responsibilities – financial management

### 5.1. Financial Reporting

Review and evaluate the effectiveness of the Company's risk management and internal compliance and control systems relating to financial reporting:

- a) Evaluate the adequacy and effectiveness of the Company's accounting policies to determine if they are appropriate and in accordance with generally accepted practices.
- b) Evaluate the truth and fairness of Company financial reports.
- c) Evaluate the Company's exposure to fraud and determine appropriate responses.
- d) Consider and investigate claims of illegal and fraudulent practices, to the extent that they relate to accounting, internal accounting control or auditing matters.
- e) Evaluate management's compliance with financial system policies and procedures.
- f) Monitor related party transactions and conflicts of interest.
- g) Require reports from management and/or external audit on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact on the Company's financial reporting.
- h) Identify and direct any special projects or investigations deemed necessary or as referred to the Committee by the Board.
- i) Review financial statements (half yearly and annual) prior to their release to determine whether they are complete, reflect appropriate accounting principles, contain appropriate disclosures and are consistent with the information known to the Committee.
- j) Receive annual written representations from Management certifying that:
  - i. That financial records have been properly maintained in accordance with the Corporations Act.
  - ii. That financial statements present a true and fair view, in all material respects, of the company's financial condition, operational results and are in accordance with relevant accounting standards.
  - iii. As to the effective and efficient operation of risk management and internal compliance and control system.
- k) Review correspondence from regulators and others regarding the Company's financial reporting or related matters and monitor management's response to them.
- l) Review the financial reporting impact of significant transactions outside the Company's normal business.

- m) Review the draft half year and annual announcement of results to the ASX with the MD, CFO and the external auditors, and recommend acceptance to the Board.
  - n) Review major outstanding contingent liabilities including existing and potential legal actions against the Company or its Board.
- 5.2. Financial Management
- a) Assist in the review of budgets and recommend annual budgets to the board for approval.
  - b) Review and monitor performance against budgets.
  - c) Make recommendations to the Board concerning the formulation and monitoring of the Company's capital management strategy, including dividend payment strategies.
  - d) Review funding requirements and proposals.
  - e) Review and recommend on all areas as covered in the company's Treasury Policy.
  - f) Review effectiveness of the financial risk management strategies and policies.
  - g) Review and make recommendations to the Board in relation to insurance and related structures to mitigate insurable risks arising from the Company's business activities.
- 5.3. Roles & responsibilities – audit
- 5.4. Recommend to the Board the appointment (and, where appropriate replacement) of the external auditors.
- 5.5. Review and agree the annual external audit terms of engagement including proposed audit scope, approach and materiality levels.
- 5.6. Review reports prepared by external audit and determine whether all matters raised are receiving appropriate attention.
- 5.7. Evaluate the overall effectiveness of external audit.
- 5.8. Require reports from management and/or external audit on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact on the Company's financial reporting.
- 5.9. Provide the external auditors with unrestricted and confidential access to the Chair of the Committee, or, if deemed appropriate by the external auditors with the Chair of the Board. The external auditors will be instructed to immediately contact the Chair of the Committee if management has placed unreasonable restrictions on access by the external auditors or there are significant unresolved issues between management and the external auditors.
- 5.10. Meet at least once annually with the external auditors, in the absence of management, and on any occasion during the year as requested by either the Committee or the external or internal auditors.
- 5.11. Review all representation letters to the external auditors signed by management.
- 5.12. On an annual basis, reviewing and assessing the performance and qualifications of the external auditors, including the lead and review partners or equivalents.
- 5.13. Ensure the independence of the external auditors:
- 5.14. Periodically assess the independence of the external auditors by considering the relationships and services provided by the external auditors that may lead to an actual or perceived lack of independence.
- 5.15. Review and receive from the external auditors a formal written statement stating that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's financial report and delineating all relationships between the auditors and the Company. Any disclosed relationships or services that may impact the objectivity

and independence of the auditor must be assessed by the Committee, who will recommend the Board take appropriate action to oversee and ensure the independence of the external auditor.

- 5.16. The external auditors shall not provide services which are considered to be in conflict with the role of statutory auditor. These services include investigations and consulting advice, or sub-contracting of activities normally undertaken by management, where the auditor may ultimately be required to express an opinion on its own work.
- 5.17. The external auditors will be permitted to provide specified non-audit services that are not perceived to be in conflict with the role of auditor. Examples of services that may be provided without Committee approval includes:
- a) Tax compliance services
  - b) Advice on application of appropriate accounting standards
  - c) Audits or verification of regulatory returns
  - d) Other services of an assurance nature

## **6. Roles and responsibilities – risk management**

- 6.1. The Committee will review and consider the appropriateness and adequacy of internal processes for determining, monitoring and assessing key risks. These include but are not limited to the following:
- a) Review risk management policies and oversight of the risk management system.
  - b) Review and monitor the performance of management in implementing risk management responses and internal control rectification activities and seeking confirmation that there are appropriate systems in place for identifying and monitoring significant risks.
  - c) Review the principal strategic, operational, legal and financial risks to which the company may be exposed.
  - d) Review Calix's insurance program at least annually having regard to the business and the insurable risks associated with the businesses.
  - e) Review and approve programs and policies which deal with the adequacy and effectiveness of internal controls over the company's business processes, including the determination of the financial statements.
  - f) Receive reports concerning material actual and suspected breaches of law, including fraud and theft and assess systems to manage this risk.
  - g) Review any litigation, claim or other contingency which could have a material effect upon the financial position or operating results of the Company.
  - h) Receive reports concerning the accounting treatment of the Company's superannuation funds and determine questions of any accounting treatment raised.

## 7. Composition

- 7.1. Members of the committee will be non-executive or independent directors of Calix.
- 7.2. The Committee will consist of no less than two members.
- 7.3. Each Committee member is expected to be financially literate and have and maintain a good working knowledge of financial reporting issues and have the capacity to devote the required time and attention to prepare for and attend Committee meetings.
- 7.4. Members of the Committee shall be appointed for an initial term of three years, after which time, subject to their continuing appointment as a director, shall be eligible for reappointment. Where practicable, the terms of members shall be staggered so that no more than one half of the number of members shall stand for reappointment annually.
- 7.5. The Board will formally approve all appointments and replacements to members and their remuneration.
- 7.6. The Chair is to be appointed by the Board for a specified term of office and to be eligible for re-appointment by the Board. The Chair should not be the Chair of the Board of Directors.
- 7.7. The Secretary to be nominated by management and approved by the Chair of the Committee.

## 8. Meetings

### 8.1. Holding Meetings

- a) The Committee should meet as often as required but not less than two times a year including:
  - b) Prior to the issue of the annual results and the Board meeting
  - c) Prior to the approval of the annual budget and the Board meeting
  - d) Approving the financial report
  - e) At the planning stage of the external audit to consider the scope of the audit

## 9. Quorum

- a) A quorum shall be two (2) members of the Committee, present in person or by using any technology, who are entitled to vote.

### 9.2. Agenda & Minutes

- a) The agenda for Committee meetings is determined by the Chair.
- b) The agenda and supporting papers are to be delivered to Committee members by the Company Secretary at least seven (7) days in advance of each meeting.
- c) Minutes are prepared for each Committee meeting.
- d) The draft minutes of each Committee meeting will be reviewed by the Committee Chair and circulated to all Committee members by the Company Secretary as soon as practicable but no later than the distribution date for the papers for the next Committee meeting.
- e) The Committee must confirm the minutes of each meeting at its next meeting (or the next practicable meeting if the minutes are not available at the next meeting).
- f) Minutes of the Committee are to be signed by the Chair at the next Committee Meeting.
- g) The Chair shall report significant issues arising from the Committee meetings and distribute and address a written report and completed or draft Minutes at the next Board Meeting.

### 9.3. Motions

A motion shall be passed by a:

- a) Simple majority of votes cast in favour by members present and eligible to vote, or
- b) Resolution in writing signed by a majority of Committee members eligible to vote and not being less than the quorum prescribed for Committee meetings.

### 9.4. General

- a) A Committee meeting may be called or held using any technology.
- b) In the absence of the Committee Chair (or his or her properly appointed delegate), the members will elect one of their number as Chair of that meeting.
- c) The Committee may invite other people including employees of Calix and external advisers to attend all or part of its meetings, as it deems necessary or appropriate. The MD, CFO and other executives to attend as required. External Audit, Internal Audit and Risk Management representatives may attend meetings by invitation.
- d) If an employee of Calix or other person has a material personal interest in a matter that is being considered at a meeting, he or she must not be present for consideration of that matter unless the interest has been fully disclosed to the Committee and the Committee agrees that the employee may be present.

## **10. Evaluations and reviews**

10.1. The Committee will review and assess its structure and Charter on an annual basis. All changes must be approved by the Board.

10.2. The Committee will evaluate its own performance annually utilising the Committee Checklist.

10.3. The Committee will provide any information the Board may request to facilitate its review of the Committee's performance and its members.

10.4. The Committee will obtain feedback from the Board on the Committee's performance on an annual basis and implement any agreed actions.

## 11. Other areas

### 11.1. Special Projects

The Committee may perform any other duties and undertaking or review or oversee any specific projects as requested by the Board from time to time.

### 11.2. Skills Development

A member of the Committee may, with the approval of the Calix Chair and at the Company's expense, attend seminars or training courses in respect to issues related to the functions and responsibilities of the Committee.



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Peter Turnbull

Chair

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