

AUDIT AND RISK COMMITTEE CHARTER

1. ESTABLISHMENT OF THE COMMITTEE

This document sets out the specific responsibilities delegated by the Board to the Audit and Risk Committee of National Tyre & Wheel Limited ACN 095 843 020 (**Company**) and provides the framework for the Committee's operations.

The Committee is not a decision making body. The Committee does not have the power or authority to make a decision in the Board's name or on its behalf.

The Committee will make recommendations to the Board on all matters requiring a decision.

2. OBJECTIVES AND PURPOSE

The primary objective of the Audit and Risk Committee is to assist the Board to discharge its responsibilities with regard to the following areas:

- (a) monitor and review, on behalf of the Board, the effectiveness of the control environment in the Company in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting;
- (b) provide an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators; and
- (c) oversee the Company's discharge of its responsibilities with respect to:
 - (i) the financial statements, financial report and annual report;
 - (ii) legal/regulatory compliance;
 - (iii) protection of the Company's capital;
 - (iv) designing and maintaining appropriate risk management systems;
 - (v) overseeing the Company's relationship with external auditors; and
 - (vi) monitoring the independence of the external auditors.

The Committee meets and receives regular reports from the Company's external auditors concerning matters that arise in connection with their audit. The Committee is also responsible for nomination and review of performance of the external auditors.

3. COMMITTEE'S RESPONSIBILITIES – OVERVIEW

The Committee's overall responsibilities include:

- (a) overseeing the Company's relationship with the external auditor (including forming a policy on the provision of non-audit services and the rotation of external auditor personnel on a regular basis) and the external audit function generally;
- (b) overseeing the adequacy of the control processes in place in relation to the preparation of financial statements and reports;
- (c) overseeing the adequacy of the Company's financial controls and systems; and
- (d) overseeing the process of identification and management of business, financial and commercial risks (other than credit and trading (financial market) risk).

4. COMMITTEE'S RESPONSIBILITIES – AUDIT

4.1 Function

The Committee's specific function on audit is to review and report to the Board that:

- (a) the system of control, which management has established, effectively safeguards the assets of the Company;
- (b) processes are in place such that accounting records are properly maintained in accordance with statutory requirements; and
- (c) processes exist to reasonably guarantee that financial information provided to investors and the Board is accurate and reliable.

4.2 Procedure

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- (a) recommending to the Board the appointment and removal of the external auditors and reviewing the terms of engagement. The Committee manages the relationship with the external auditor on behalf of the Board. The Committee is responsible for considering the reappointment of the external auditor each year as well as their remuneration and terms of engagement;
- (b) approving the audit plan of the external auditors. The lead partner (having responsibility for the audit) and the audit partner responsible for reviewing the audit must rotate every five years. The Committee requires that a succession plan be presented to it for approval by the external auditor at least one year before the rotation is due to occur;
- (c) monitoring the effectiveness and independence of the external auditor;
- (d) obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;
- (e) providing recommendations to the Board as to the role of the internal auditor/internal audit function, if any;
- (f) reviewing and appraising the quality of audits conducted by the Company's external auditors and confirming their respective authority and responsibilities;
- (g) monitoring the relationship between management and the external auditors;
- (h) evaluating the adequacy, effectiveness and appropriateness of the Company's administrative, operating and accounting control systems and policies;
- (i) reviewing and evaluating controls and processes in place to ensure compliance with approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- (j) overseeing the Company's financial reporting and disclosure processes and the outputs of that process;
- (k) determining the reliability, integrity and effectiveness of accounting policies and financial reporting and disclosure practices;
- (l) reviewing (in consultation with management and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policy changes; and

- (m) evaluating the adequacy and effectiveness of the Company's internal control and risk management processes and recommending improvements to the Company's internal control and risk management processes, to the Board.

5. COMMITTEE'S RESPONSIBILITIES – RISK AND COMPLIANCE

5.1 Function

The Committee's specific function with respect to risk management is to review and report to the Board that:

- (a) the Company's ongoing risk management program effectively identifies all areas of potential risk;
- (b) adequate policies and procedures have been designed and implemented to manage identified risks;
- (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (d) proper remedial action is undertaken to redress areas of weakness.

5.2 Procedure

The following are intended to form part of the normal procedures for the Committee's risk responsibility:

- (a) evaluating the adequacy and effectiveness of the Company's Risk Management Policy;
- (b) evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks;
- (c) evaluating the adequacy and effectiveness of the Company's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors;
- (d) evaluating the structure and adequacy of the Company's own insurances on an annual basis;
- (e) reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Company's financial and operational risk management policies;
- (f) overseeing the establishment and maintenance of processes to ensure that there is:
 - (i) an adequate system of internal control, management of business risks and safeguard of assets; and
 - (ii) a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
- (g) evaluating the Company's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance;
- (h) reviewing the Company's main corporate governance practices, including the Risk Management Policy, for completeness and accuracy;
- (i) overseeing the proper evaluation of the adequacy and effectiveness of the Company's legal compliance control systems;
- (j) providing recommendations as to the propriety of related party transactions; and

- (k) evaluating the Company's exposure to economic, environmental and social sustainability risks, and if considered material, disclosure of such risks along with policies and procedures to effectively manage the risks.

6. STRUCTURE OF COMMITTEE MEMBERSHIP

The structure of the Committee is as follows:

- (a) The Committee will be appointed by the Board and comprise not less than 3 directors or such number as determined by the Board.
- (b) All members of the Committee must be non-executive directors, and a majority of the members of the Committee must be independent directors.
- (c) The current members are:
 - (i) **Murray Boyte** – Mr Boyte holds a Bachelor of Commerce and Administration, and is Chartered Accountant registered with the New Zealand Institute of Chartered Accountants (from 1 November 2014: Institute of Chartered Accountants Australia and New Zealand). Mr Boyte has over 35 years in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. Mr Boyte has held executive positions and Directorships in the transport, horticultural, financial services, investment, property, and health service industries.
 - (ii) **William Cook (Chair)**. Mr Cook started his career at Ford Motor Company in finance. He worked for Consolidated Press Holdings with the late Kerry Packer from 1983 to 1996 as Head of M&A and worldwide reporting. After two years as CEO of Qantas Flight Catering and other Private Equity investment consulting roles, Mr Cook joined AMP Capital as an investment manager in the Private Equity team. Since leaving AMP, Bill has served as non-executive director for a number of companies, including NTAW.
 - (iii) **Rob Kent**. Mr Kent was the managing Director of Publicis Mojo (Queensland), part of a global advertising firm, from 2000 to 2017. He was also a member of the Publicis National Board of Management. Mr Kent is an experienced marketing executive who has managed many campaigns involving sales, promotion and brand building. Mr Kent was previously the Managing Director of Personalised Plates Queensland from 2013 to 2017. Under his management, sales grew by 34% over 4 years with internet traffic providing 75% of revenue¹. Mr Kent was a Director of ACT for Kids (a charity) from 2001 to 2013 and member of the Board of South Bank Business Association in Brisbane from 2002 to 2009.

7. EXPERTISE OF COMMITTEE MEMBERSHIP

Committee members, where possible, must:

- (a) have a sound knowledge of the Company's businesses, organisation structure and related policies and practices;

¹ PPQ Financial Information

- (b) be financially literate (able to read and understand financial statements) and have sufficient financial knowledge and understanding to allow them to discharge their responsibilities; and
- (c) have an appropriate understanding of corporate governance matters particularly in relation to Board and Director responsibilities and ASX Corporate Governance Principles.

8. SECRETARY

The Company Secretary or their nominee will act as Secretary to the Committee, unless otherwise determined by the Committee.

9. PROCEEDINGS

9.1 Frequency

- (a) The Committee will meet as frequently as required but must not meet less than four times each year.
- (b) The Secretary to the Committee or any member may call a meeting of the Committee.

9.2 Attendance

Members of the Board who are not Committee members, along with Company management or independent consultants, may be invited by the Chairman of the Committee to attend all or part of a meeting. Voting at Committee meetings is restricted to Committee members.

9.3 Quorum

A quorum for a meeting shall be a minimum of 2 non-executive director Committee members. All meetings shall be conducted subject to an agenda circulated by the Chairman of the Committee or their nominee and incorporating any matters raised by other members of the Audit and Risk Committee or referred by the Board.

9.4 Chairman of the Committee

- (a) The Chairman of the Committee must be an independent director, who is not the Chairman of the Board.
- (b) In the absence of the Chairman of the Committee, the remaining members will elect one of their number as Chairman of the meeting.

9.5 Minutes

The Secretary shall maintain minutes of all meetings of the Audit and Risk Committee. The minutes shall be signed by the Chairman of the Committee.

9.6 Non-Consensus

Where the Committee is unable to reach consensus on a matter, the Chairman of the Committee will report this to the Chairman of the Board. The Chairman of the Board will determine whether it is appropriate that the matter be resolved by the Board or by obtaining independent advice.

10. AUTHORITIES

10.1 Access

- (a) The Committee has unrestricted access to executive management, all employees and all Company records and to financial and legal advisers.
- (b) The Committee has the right to access auditors, internal or external, without management present.

10.2 Independent Advice

The Committee, or any individual member, with the approval of the Chairman of the Board, is entitled to obtain independent professional or other advice at the expense of the Company where they consider it necessary to carry out their duties.

11. REPORTING

- (a) The Chairman of the Committee shall report to the Board subsequent to each Committee meeting.
- (b) The Chairman of the Committee or their nominee must attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities and areas of responsibility.
- (c) The Committee is responsible for review and approval of any disclosures in the Company's annual report regarding the Committee, its activities and performance.

12. TERMS OF REFERENCE REVIEW

The Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board, at a meeting to be decided each calendar year. It must recommend to the Board any suggested changes in the duties and responsibilities of the Committee and the terms of reference.

Adopted by the Board of National Tyre & Wheel Limited

27 June 2018