



# Audit Committee Charter

8 July 2015

## 1. General

- 1.1 The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities in relation to the external audit function, accounting policies, financial reporting, funding, financial risk management, business risk monitoring, insurance and certain compliance matters.
- 1.2 The Committee has authority from the Board to review and investigate any matter within the scope of its charter and make recommendations to the Board in relation to the outcomes. The Committee has no delegated authority from the Board to determine the outcomes of its reviews and investigations and the Board retains its authority over such matters.
- 1.3 The Committee has unrestricted access to employees, records, external auditors, tax and other financial, insurance or legal advisers engaged by Washington H. Soul Pattinson and Company Limited ("WHSP"). The Committee is authorised to take advice from any external parties as appropriate at WHSP's expense. The external auditors will have direct access to the Committee and to the Board via their respective Chairmen.
- 1.4 In this Charter the following terms have the following meanings:
  - "Board"** means the Board of WHSP.
  - "Director"** means a member of the Board of WHSP.
  - "independent Director"** means a Director who has been determined by the Board to be independent in accordance with the Board Charter.
  - "non-executive Director"** means a Director who is not employed in an executive capacity by WHSP.
  - "WHSP"** means Washington H. Soul Pattinson and Company Limited.

## 2. Composition

- 2.1 The Committee will consist of only non-executive Directors and have at least three members, each of whom is financially literate and a majority of whom must be independent.
- 2.2 At least one member of the Committee should have significant expertise in financial reporting, accounting or auditing. The Chairman of the Committee should be an independent Director and must not be the Chairman of the Board.
- 2.3 The Company Secretary or their nominee will act as the Secretary to the Committee.

### 3. Meetings

- 3.1 The Committee must meet as often as required and **at least four times each year.**
- 3.2 Meetings will be called by the Secretary at the request of the Board or Committee Chairman.
- 3.3 Members of the Board may attend meetings of the Committee and the engagement or audit partner of the external auditor of WHSP may attend meetings ex officio. Subject to paragraph 3.6, the Chief Executive Officer and the Chief Financial Officer of WHSP may attend meetings ex officio.
- 3.4 The Secretary will keep minutes of proceedings and resolutions of the Committee together with copies of supporting papers. These records will be available to any Committee member and any Board member upon request.
- 3.5 The Committee will develop a program to meet its responsibilities.
- 3.6 The Committee or the Committee Chairman will meet with the external auditor without members of management being present at least once each year and whenever considered appropriate by the Committee Chairman. The Committee may seek explanations and additional information from the external auditor as and when required.
- 3.7 The Committee may meet with management and seek explanations and additional information as and when required.
- 3.8 The Committee Chairman, or their nominee, will report to the Board after each meeting of the Committee and copies of the minutes of each Committee meeting will be included in the papers and provided to members of the Board for the next full Board meeting.
- 3.9 A quorum will comprise two members of the Committee. In the absence of the Committee Chairman, Committee members will elect a Committee member to act as Chairman for that meeting.
- 3.10 Each member of the Committee will have one vote and questions will be decided by a majority of votes. In the case of an equality of votes, the Chairman of the Committee will have a second or casting vote, provided more than two of the members present are entitled to vote.
- 3.11 A meeting of the Committee can be held in person, by telephone or by teleconference or any combination thereof, so long as a quorum of members can hear the proceedings of the meeting at all times.

### 4. Duties

- 4.1 In meeting its purpose set out in paragraph 1.1 of this charter, the Committee has the following duties:

#### External audit

- (a) Regularly evaluate and report to the Board on the performance and independence of the external auditor.
- (b) Review the appointment and selection of the external auditor and the rotation of external audit engagement partners at least every five years and make recommendations to the Board in relation to the proposed fees and terms of engagement of the external auditor and audit engagement partners, and any proposed change of external auditor or audit engagement partners.
- (c) Review and approve the external audit plan for each audit or review of financial statements.
- (d) Review all reports from external auditors, report to the Board on any issues arising out of those reports and ensure that the required disclosures by the external auditors are made to the Committee within the required timeframes.

- (e) Any non-audit assignments performed by the external auditors for WHSP will require the prior approval of the Committee Chairman.

### **Accounting**

- (f) Review the accounting policies of WHSP, including conformance to relevant accounting and reporting standards.
- (g) Review all significant accounting policy changes and, where appropriate, recommend to the Board that the changes be adopted by WHSP.

### **Financial reporting**

- (h) Review in detail and report to the Board on the integrity of WHSP's half year and annual financial statements, prior to their release to the financial market.
- (i) Review any statements or commentary to be released to the Australian Stock Exchange to accompany the half year or annual financial statements.
- (j) Review any financial reports to be released to the Australian Stock Exchange.
- (k) Review the adequacy of WHSP's policies relating to financial reporting and controls, including compliance with laws, regulations and ethical guidelines.
- (l) Discuss with management and the external auditor any correspondence with regulatory or government bodies and any published reports which raise material issues regarding WHSP's financial statements.

### **Funding**

- (m) Monitor the ability of WHSP to fund its activities, having regard to current funding arrangements and WHSP's cash-flow outlook.
- (n) Monitor the prudence of gearing levels, interest cover and compliance with banking covenants.
- (o) Review all funding strategies of WHSP.

### **Financial risk management**

- (p) Review policies relating to financial risk management, including hedging of interest rate risk and foreign currency exchange risk. Monitor compliance with such policies and report to the Board on any relevant issues.
- (q) Review the dividend policy.

### **Business risk monitoring**

- (r) Consider post completion reviews of major capital expenditures and acquisitions.

### **Compliance**

- (s) Assess and review WHSP's policies and practices designed to ensure compliance with laws, contractual obligations and, where applicable, WHSP established standards in the following areas:
  - trade practices;
  - anti-discrimination;
  - continuous and periodic disclosure,

monitor compliance with such policies and report to the Board on any relevant issues.

- (t) Review the results of any governmental or regulatory audits involving the above areas which have not otherwise been reviewed by the Board or another Committee.

## 5. Reporting

- 5.1 The Committee shall provide regular reports to the Board. These reports shall contain all matters relevant to the Committee's responsibilities including:
  - (a) an assessment of whether external reporting is consistent with Committee members' information and knowledge, and if this external reporting is adequate for shareholder needs;
  - (b) recommendations for changes to management processes supporting external reporting;
  - (c) the Committee's policies and procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
  - (d) recommendations for changes in the scope and amount of insurance coverage and risk profile for WHSP;
  - (e) recommendations for the appointment or removal of an external auditor; and
  - (f) assessment of the performance and independence of external auditors, in relation to matters within the Committee's responsibility.

End