

# **AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER**

## **KIMBERLEY DIAMONDS LTD ABN 95 150 737 563**

### **1. ROLE**

- 1.1** The role of the Kimberley Diamonds Ltd (KDL or Company) Audit and Risk Management Committee (Committee) is to assist the KDL Board in fulfilling its corporate governance responsibilities in regard to:
- a. the reliability and integrity of financial information for inclusion in the KDL financial statements;
  - b. audit, accounting and financial reporting obligations of KDL;
  - c. safeguarding the independence of the external auditor;
  - d. financial risk management;
  - e. the oversight and management of material business risks; and
  - f. the effectiveness of the Company's management of its material business risks.
- 1.2** To the extent practicable, the Company endorses and seeks to follow the Australian Securities Exchange (ASX) Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles & Recommendations).

### **2. MEMBERSHIP**

- 2.1** Committee Members and the Chairman of the Committee are appointed by the KDL Board in accordance with rule 28.7 of the KDL Constitution.
- 2.2** The Committee will comprise at least three of the Non-Executive Directors, with the intention that a majority be independent where the Board composition allows.
- 2.3** The Chairman of the Committee is to be a Non-Executive Director.
- 2.4** It is anticipated that at least one Member has financial expertise or significant experience of financial, accounting and commercial matters. The Committee may seek the counsel of a financial expert at any time and may do so in accordance with clause 6 of this Charter.
- 2.5** All Directors and the Chief Financial Officer are invited to attend Committee Meetings.

### **3. RESPONSIBILITIES**

#### **3.1 Understanding the Business**

The Committee should ensure it understands the structure, controls and types of transactions of KDL.

### **3.2 Financial Reporting**

In assisting the Board (and without limiting its scope), the Committee will:

- a. review the financial information presented by management to the Board, the market, security holders and regulators;
- b. oversee the effectiveness of administrative and accounting controls used by KDL;
- c. oversee and appraise the quality of the audits conducted by the external auditors; and
- d. maintain open lines of communication with the external auditors.

### **3.3 Review of Financial Information**

Without limiting its scope, the Committee is to review:

- a. the draft half yearly and annual financial statements of KDL, prior to consideration by the KDL Board, to ensure they represent a true and fair view of KDL's financial position and performance; and
- b. the declaration signed by the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) required by section 295A of the *Corporations Act* and the statement requirement by Recommendation 4.2 of the ASX Principles & Recommendations.

### **3.4 Taxes**

Without limiting its scope, the Committee is to:

- a. monitor compliance with all tax obligations;
- b. review any relevant taxation information submitted to the Committee; and
- c. where necessary, approve or ratify any material amendments to taxation policies.

### **3.5 Financial Risk Management**

Without limiting its scope, the Committee will ensure management has established and operates a financial risk management system which is designed to identify, assess, monitor and manage financial risk.

### **3.6 External Auditor**

In relation to the external auditor, the Committee should:

- a. observe the policies and procedures for the selection, appointment and re-appointment of the external auditor and the rotation of external audit engagement partners;
- b. recommend to the Board:
  - i. appointment and removal of the external auditor;
  - ii. terms of appointment or re-appointment of the external auditor; and
  - iii. level of fees payable to the external auditors;

- c. at least annually, assess the performance and independence of the external auditor and whether the independence of this function is maintained having regard to the provision of non-audit related services, and provide to the Board the written advice as required by section 300(11D)(a) of the *Corporations Act*;
- d. on an annual basis, obtain and review a report from the external auditor describing:
  - i. the audit firm's internal quality control and conflict procedures;
  - ii. any material issues raised by the most recent quality control, or peer review, of the audit firm, and any steps taken to address such issues; and
  - iii. all relationships between the external auditor and KDL.

### **3.7 Risk Management**

Without limiting the scope, the Committee will use all reasonable endeavours in overseeing the risk management system which is designed to identify, assess, monitor and manage risk.

In assisting the Board, the Committee will:

- a. oversee KDL's risk management strategies;
- b. establish an overall profile of the risks and risk appetite of KDL;
- c. review the risk management process within KDL so that all high risks are identified and that appropriate risk management processes are in place;
- d. review periodic risk management reports prepared by the executive management;
- e. present to the Board at least half-yearly, the overall results of this assessment and update this as required; and
- f. review the effectiveness and suitability of the risk management framework annually.

### **3.8 Legal and Regulatory Compliance**

Without limiting its scope, the Committee will, in conjunction with the Board, use all reasonable endeavours so that KDL complies with:

- a. all relevant statutory and regulatory obligations; and
- b. all internal policies and procedures.

### **3.9 Other**

Other responsibilities of the Committee include, but are not limited to:

- a. reviewing policies and practices on sensitive issues referred to the Committee by the Board;
- b. identifying and directing any special projects or investigations as deemed necessary; and

- c. examining any other matters referred to it by the Board.

#### **4. MEETINGS**

- 4.1 The Committee should meet as often as the Chair of the Committee determines necessary. At a minimum, the Committee should meet at least twice per year (for consideration of the half and full-year results of KDL). Committee Meetings may however be requested by any Committee Member.
- 4.2 A quorum for a Committee Meeting is when at least two Members are present.
- 4.3 Minutes of all meetings of the Committee are to be kept by the Company Secretary.
- 4.4 Relevant KDL employees may be invited to attend Committee Meetings.
- 4.5 Committee meetings will be governed by the same rules, as set out in the Company Constitution, as they apply to the meetings of the Board.
- 4.6 At each Meeting, the Committee may:
  - a. meet privately;
  - b. meet with executive management (without the external auditor) to ensure there are no issues relating to the external audit; and
  - c. meet with the external auditors (without management) to allow any sensitive issues to be discussed and to seek assurance that no management restrictions are being placed upon the external auditors.
- 4.7 The Committee may meet with the external auditors outside of Committee Meetings as required.

#### **5. REPORTING**

- 5.1 The Committee is to report on its Meetings to the Board (which may be either verbally or in writing). The Committee will also provide the minutes of the Meeting to the Board for information.
- 5.2 In conjunction with the approval of the Annual Financial Reports, the Committee is to prepare a Report to the Board. The Report is to contain all matters relevant to the Committee's role and responsibilities, and should include but not be limited to:
  - a. assessment of whether external reporting is consistent with Committee Members' information and knowledge and is adequate for security holders' needs;
  - b. assessment of the management processes supporting external reporting;
  - c. to the extent necessary:
    - i. procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
    - ii. recommendations for the appointment or removal of an external auditor; and
  - d. assessment of the performance and independence of the external auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services.

## **6. ACCESS TO INFORMATION AND ADVICE**

- 6.1** Committee Members have unlimited, direct access to the external auditors.
- 6.2** The Committee has the authority to seek any information it requires from any KDL employee and all employees must comply with such requests.
- 6.3** In carrying out its functions, the Committee may take independent legal, accounting or other professional advice or assistance, at the reasonable expense of KDL. Unless a conflict exists or to do so would be inconsistent with the Committee's duties, the Committee is to request such information, professional advice or assistance permitted under this clause 6 via the Chairman.

## **7. COMMITTEE PERFORMANCE**

To determine whether it is functioning effectively, the Committee shall:

- a. review this Charter annually; and
- b. undertake an evaluation of its performance at intervals considered appropriate by the Chairman.