



QBiotics Group Limited

ABN 13 617 596 139

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER



QBiotics Group
Naturally Inspired
Scientifically Defined

QBiotech Group Limited

Audit and Risk Management Committee Charter

Contents

- 1. OBJECTIVE 2
- 2. COMPOSITION 2
- 3. MEETINGS..... 2
- 4. RESPONSIBILITIES AND DUTIES 3
- 5. REPORTING 5
- 6. ANNUAL REPORT 5
- 7. AUTHORITY TO SEEK ADDITIONAL INFORMATION 5
- 8. REVIEW OF CHARTER 6
- 9. LIMITATION OF COMMITTEE’S ROLE 6

Document history

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1	ARMC	20 April 2022	New policy
2	Board	7 March 2023	Change to clause 2.1
3	Board	27 July 2023	Change to clause 2.2

QBiotech Group Limited

Audit and Risk Management Committee Charter

This Charter sets out the role, responsibilities, structure and processes of the Audit and Risk Management Committee (**ARMC** or **Committee**) of QBiotech Group Limited (the **Company**), its subsidiaries, and any entities that form part of the QBiotech group from time to time (the **Group**).

1. OBJECTIVE

- 1.1. The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by the Company, in particular information that is to be provided to members and/or filed with regulators. The ARMC will assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management procedures and the internal and external audit functions.
- 1.2. The Committee is also responsible for the review of the Company's risk management program. It must ensure that areas of key risk have been identified, and that the appropriate internal controls have been implemented and are operating efficiently in all material respects. The Committee will review the Company's risk management framework periodically to satisfy itself that the framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

2. COMPOSITION

- 2.1. The ARMC shall be comprised of at least two non-executive directors as determined by the Board. Each member must be free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her judgement as a member of the ARMC.
- 2.2. The chair of the ARMC will be an independent non-executive director of the Company.
- 2.3. All members of the ARMC shall have a working familiarity with basic finance and accounting practices, and at least one member of the ARMC shall have audit committee financial expertise.
- 2.4. The Chair of the Board may attend meetings, ex officio.
- 2.5. The Chief Executive Officer, the Chief Financial Officer, Company Secretary or his or her nominee (acting as meeting Secretary) are expected to attend meetings. A standing invitation will be issued to the external auditors and representative(s) of the external auditor.
- 2.6. Other directors of the Board are entitled to attend ARMC meetings.

3. MEETINGS

- 3.1. The ARMC will hold at least two meetings each financial year (which will involve reviewing the half year and annual accounts) and such additional meetings as requested by the Chair of the ARMC, the Board or the external auditor.
- 3.2. A quorum of the ARMC will be two members.
- 3.3. The Secretary of the ARMC will be the Company Secretary or their designated representative. The agenda and supporting documentation will be circulated to the ARMC members within a reasonable period in advance of each meeting. The Secretary of the ARMC will circulate minutes of meetings to members of the ARMC and the Board.
- 3.4. The ARMC may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with the Company's constitution, this Charter or any resolution of the Board.

QBiotech Group Limited

Audit and Risk Management Committee Charter

4. RESPONSIBILITIES AND DUTIES

4.1. The ARMC shall consider any matters relating to the financial affairs of the Company and its controlled entities and to the external audit that it considers necessary. In addition, the ARMC shall examine any other matters referred to it by the Board.

Financial statements

4.2. The ARMC will:

- Keep under review the consistency of accounting policies both on a year to year basis and across the Company and the Group.
- Review and test, where necessary, the Company's financial statements taking into account:
 - critical accounting policies and practices and any changes in them;
 - decisions requiring a major element of judgement by management;
 - the extent to which the financial statements are affected by any unusual transactions;
 - the clarity of disclosures;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with other legal requirements (as applicable); and
 - the Chief Executive Officer and the Chief Financial Officer statements to the Board made pursuant to the requirements of the Company's internal control policies and relevant law and practice.
- Consider the appropriateness of the Group's accounting policies and principles and any changes, as well as the methods of applying them, ensuring that they are in accordance with the stated financial reporting framework. This task will be performed via consultation with management followed by requesting the external auditor's opinion on the same.
- Assess significant estimates and judgements in financial reports by enquiring of management about the process used in making material estimates and judgements and then enquire of the external auditor the basis for their conclusions on the reasonableness of management's estimates.
- Review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements (including Australian Accounting Standards, the Corporations Act 2001 and the ASX listing rules (if applicable) relating to the external reporting by the entity of financial and non-financial information.
- Assess information from the external auditor that affects the quality of financial reports (e.g. actual and potential material audit adjustments, financial report disclosures, non-compliance with the laws and regulations, internal control issues).
- Review documents and reports to regulators and make recommendations to the Board on their approval or amendment.
- Recommend to the Board whether the financial statements should be signed based on the ARMC's assessment of them.

QBiotech Group Limited

Audit and Risk Management Committee Charter

External Audit

4.3. The ARMC will:

- Recommend to the Board the selection and termination of the external auditor, subject to shareholder ratification, considering independence and effectiveness of the external audit and approve the terms of engagement, fees and other compensation to be paid to the external auditor.
- Review and discuss twice per annum with the external auditor all significant relationships the external auditor has with the Group to provide reasonable assurance to the Board that the external auditor's independence is maintained, including any assurances required for compliance with the Corporations Act 2001.
- Direct that the external auditor reports directly to the ARMC or the Board.
- Discuss with the external auditor matters relating to the conduct of the audit including any difficulties encountered in the course of the audit work, any restrictions on scope of activities or access to requested information, significant disagreements with management (if any) and adequacy of management's response.
- Review the performance of the external auditor. Obtain and review a report from the external auditor periodically on the auditor's internal quality control procedures, and the quality and capabilities of the lead engagement staff.
- Periodically consult with the external auditor without the presence of management, about internal controls over financial information, reporting and disclosure and the fullness and accuracy of the Group's financial statements.
- Reviewing the scope and adequacy of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis.
- Monitoring and examining management's response to the external auditor's findings and recommendations.
- Reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate.

Internal Audit

4.4. The ARMC will periodically review if an internal audit function should be established.

4.5. When an internal audit function is established, the ARMC will:

- Approve the appointment or removal of the head of internal audit. Any appointments or terminations should, where practicable, be considered first by the ARMC and approved by the Chief Executive Officer.
- Approve the terms of reference of the head of internal audit, and review the planned programme of audits (including scope and adequacy of the internal audit work plan) and the reasons given for any change or delay in the programme.
- Review the independence, objectivity and performance of the internal audit function.
- Review promptly reports on the Company from the head of internal audit.
- The head of internal audit will be given the right of direct access to the chair of the ARMC.

QBiotech Group Limited

Audit and Risk Management Committee Charter

Internal Control Risk Management

4.6. The ARMC will:

- Assess the internal processes for determining and managing key risks particularly in relation to non-compliance with laws, regulations, standards and best practice guidelines.
- Ensure the entity has an effective risk management system and that material risks to the entity are reported at least half yearly to the Board.
- Receive from management reports on all material suspected and actual frauds, thefts and breaches of laws.
- Meet periodically with key management and external audit representatives to understand, discuss and assess the entity's control environment.
- Evaluate the process the entity has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
- Assess whether management has controls in place for unusual types of transactions and /or any potential transactions that may carry more than an acceptable degree of risk.
- Ensure management have performed an appropriate review of the Company's insurance coverage and associated business risks prior to renewing key policies.
- Assess the effectiveness of and compliance with the Group's Code of Conduct.

5. REPORTING

5.1. The chair of the ARMC shall formally report to the Board of directors at the Board meeting following each ARMC meeting, providing a summary of the ARMC's work and deliberations.

5.2. This report should include:

- The minutes of the ARMC's meeting;
- Any formal resolutions made by the ARMC;
- Details of any discussions on the audit process and the results of any external audits performed in the period;
- Any recommendations requiring Board approval; and
- Other matters the ARMC believe need to be reported to the Board.

6. ANNUAL REPORT

6.1. The Company will disclose in the annual report the frequency of the Committee meetings, the names, relevant qualifications and experience of members of the Committee and their attendance at meetings of the Committee.

7. AUTHORITY TO SEEK ADDITIONAL INFORMATION

7.1. The ARMC shall have the authority to seek any information it requires from any officer or employee of the Company or its controlled entities and such officers or employees shall be instructed by the Board to respond to such enquiries. To the extent the ARMC deems necessary, the ARMC may retain independent legal, accounting or other advisors.

QBiotech Group Limited

Audit and Risk Management Committee Charter

8. REVIEW OF CHARTER

- 8.1. The ARMC will periodically review this Charter to ensure that it meets best practice standards and meets the needs of the Company and the Board.

9. LIMITATION OF COMMITTEE'S ROLE

- 9.1. While the ARMC has the responsibilities and powers set forth in this Charter, it is not the duty of the ARMC to plan or conduct audits or to determine that the Group's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. It is the external auditor's responsibility to plan and conduct the audit. It is management's responsibility to determine the Group's financial statements and disclosures are complete and in accordance with generally accepted accounting principles and applicable rules and regulations. Ultimately, responsibility for overseeing the integrity of QBiotech's financial reporting rests with the Board.