

# IDP Education Limited

## Audit and Risk Committee Charter

### **1 Purpose and Authority**

#### **1.1 Purpose**

The purpose of this Audit and Risk Committee Charter is to specify the authority delegated to the Audit and Risk Committee (**Committee**) by the board of directors (**Board**) of IDP Education Limited (the **Company**) and to set out the role, responsibilities, membership and operation of the Committee.

#### **1.2 Authority**

The Committee is a committee of the Board established in accordance with the Company's constitution and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this charter and under any separate resolutions of the Board granted to it from time to time.

### **2 Role of the Committee**

The role of the Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- (a) the integrity of the Company's external financial reporting and financial statements;
- (b) the appointment, remuneration, independence and competence of the Company's external auditors;
- (c) the performance of the external audit function and review of their audits;
- (d) the effectiveness of the Company's system of risk management and internal controls; and
- (e) the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

### **3 Audit and risk responsibilities**

#### **3.1 External reporting**

The Committee is responsible for:

- (a) reviewing the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports;
- (b) overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (c) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from external auditors;
- (d) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the Company of financial and non-financial information;
- (e) assessing (before publication) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;

- (f) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the Company and making recommendations to the Board on their approval or amendment;
- (g) ensuring that a comprehensive process is established to capture issues for the purpose of continuous disclosure reporting to ASX;
- (h) reviewing the completeness and accuracy of the Company's main corporate governance practices as required by ASX Listing Rules;
- (i) assessing information from external auditors that affects the quality of financial reports;
- (j) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the Company;
- (k) assessing solvency and the going concern assumption;
- (l) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur;
- (m) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the anonymous submission of concerns by personnel regarding accounting and auditing matters; and
- (n) recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

### 3.2 External audit

The Committee provides a link between the external auditor and the Board and has the responsibility and authority for the appointment and removal of the external auditor.

The Committee is responsible for:

- (a) overseeing the Company's External Audit Policy, a copy of which is contained in **Error! Reference source not found.** to this Charter;
- (b) making recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (c) agreeing the terms of engagement of the external auditor before the start of each audit;
- (d) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (e) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance (including reviewing and assessing the independence of the external auditor on an annual basis);
- (f) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence and, if required, developing policies for Board approval to ensure this does not occur;
- (g) making recommendations to the Board on the removal of the external auditor;
- (h) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (i) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;

- (j) reviewing the scope of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (k) raising with the external auditor any specific points of divergence with the Company's management;
- (l) monitoring and examining management's response to the external auditor's findings and recommendations;
- (m) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate;
- (n) meeting with the external auditor without management present at least once a year; and
- (o) establishing and making publicly available in the corporate governance section of the Company's website information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

### **3.3 Internal control and risk management**

The Committee is responsible for:

- (a) preparing a risk profile which describes the material risks facing the Company including financial and non-financial matters;
- (b) regularly reviewing and updating the risk profile;
- (c) ensuring that the Company has an effective risk management system;
- (d) reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Company's financial and operational risk management policies;
- (e) assessing and ensuring that there are internal processes for determining and managing key risk areas, such as:
  - (i) non-compliance with laws, regulations, standards and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws;
  - (ii) important judgments and accounting estimates;
  - (iii) business licence requirements;
  - (iv) litigation and claims;
  - (v) fraud and theft; and
  - (vi) relevant business risks not dealt with by other Board committees;
- (f) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
- (g) conducting investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting;
- (h) examining and evaluating the effectiveness of the internal control system with management and external auditors and making improvements;
- (i) making publicly available a description of the Company's risk management policy and internal compliance and control system in the corporate governance section of the Company's website;
- (j) making recommendations to the Board for the appointment or, if necessary, the dismissal of the internal auditor;

- (k) encouraging voluntary reporting by employees to the Committee of breaches of internal controls and the Company policies, and incidents within the risk areas above;
- (l) evaluating the adequacy and effectiveness of the management reporting and control systems used to manage risk;
- (m) reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes;
- (n) evaluating the structure and adequacy of the Company's insurances on an annual basis;
- (o) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk; and
- (p) meeting periodically with key management, external auditors and compliance staff to understand the Company's control environment.

### **3.4 Related party transactions**

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

## **4 Membership**

### **4.1 Composition and size**

The Committee will consist of:

- (a) only non-executive directors;
- (b) a majority of independent directors; and
- (c) at least three members.

The Board is responsible for the appointment of members to the Committee, for setting the term of member appointments and for the revocation of any such appointments.

### **4.2 Chairperson**

The Chair of the Committee must be an independent non-executive director who is not the Chair of the Board.

The Chair of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee Chair is not present within 10 minutes of the nominated starting time of the meeting, the Committee may choose one of their members to be the Chair for the meeting.

### **4.3 Technical expertise**

The Committee must be structured so that:

- (a) all members are financially literate, that is, are able to read and understand financial statements;
- (b) at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters; and
- (c) some members have an understanding of the industry in which the Company operates.

### **4.4 Skills development**

If the Committee Chair approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the Company's expense.

#### **4.5 Commitment of Committee members**

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

At the first Committee meeting after their appointment and when the Board reviews Committee membership, each Committee member must confirm that they are able to devote sufficient time and attention to the Committee for the coming year.

#### **4.6 Secretary**

The Company Secretary (or another person nominated by the Board) is the secretary of the Committee.

### **5 Committee meetings and processes**

#### **5.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions of the Company's constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this charter.

#### **5.2 Frequency and calling of meetings**

The Committee will meet as frequently as required to undertake its role effectively, but not less than quarterly. The Chair must call a meeting of the Committee if requested by any member of the Committee, the external auditor or the Chair of the Board.

#### **5.3 Quorum**

Two directors constitute a quorum for meetings of the Committee.

#### **5.4 Attendance by management and advisors**

The Chief Executive Officer and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the external auditors.

The Committee Chair may invite any person from time to time to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

#### **5.5 Access to information and advisors**

The Chair of the Committee receives all reports between the external auditor and management.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access the Company's documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- (d) access management and internal and external auditors, without management present.

#### **5.6 Minutes and reporting**

The secretary will keep minutes to record the proceedings and resolutions of the Committee.

The Chair of the Committee, or delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

**6 Review of Committee's performance**

The Committee will review its role and responsibilities and evaluate the effectiveness of its performance at least annually, or earlier if circumstances dictate.

**7 Currency and Review of Charter**

This Charter was adopted by the Board on 12 November 2015.

The Board will review this Charter to ensure it remains relevant to the current needs of the Company and the Board. This Charter may be amended by resolution of the Board.

This Charter will be made available on the Company's website and the key features will be published in the annual report.

# Schedule 1

## IDP Education Limited External Audit Policy

### 1 Overview

This Policy was drafted by the Audit and Risk Committee (**Committee**) being a committee of the board of directors of IDP Education Limited (the **Company**) and sets out the key principles that apply to the Company's engagement of external auditors. The Committee provides the link between the Board and the external auditor and is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor;
- (b) reviewing the external auditor's delivery and performance under its external audit plan; and
- (c) monitoring auditor independence.

This Policy should be read in conjunction with the Audit and Risk Committee Charter, which outlines the other responsibilities of the Committee in relation to the provision of audit services.

### 2 Appointment

The Committee is responsible for making recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor and for evaluating the external auditor's effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

### 3 Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness and performance of the external auditor, the Committee will use a number of criteria including, but not limited to:

- (a) the comprehensiveness of the external audit plan;
- (b) timeliness and quality of communications agreed to be delivered under the plan and delivered during the audit;
- (c) the competency and industry knowledge of the external audit staff;
- (d) adequacy of resources to achieve the scope set out in the external audit plan; and
- (e) remuneration and cost-effectiveness.

The Committee will consult with management during the assessment process.

### 4 Independence of External Auditor

The external auditor must remain independent of the Company at all times. The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the

external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the directors approve the half-year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

## **5 Provision of Non-audit Services by External Auditor**

### **5.1 What are Non-audit Services and Prohibited Non-audit Services?**

**Non-audit Services** are those services provided by the external auditor which are not included in, or are not necessarily incidental to, the terms of the audit engagement. Non-audit Services do not include Prohibited Non-audit Services.

**Prohibited Non-audit Services** are those services that, if provided by the external auditor to the Company, would create a real or perceived threat to the independence of the external auditor.

### **5.2 Restriction on Non-audit Services to be provided by external auditor**

The external auditor may not provide any Prohibited Non-audit Services to the Company. Unless the Committee decides otherwise, the external auditor is prohibited from:

- (a) performing internal audit services;
- (b) providing advice on deal structuring and related documentation;
- (c) providing IT systems services;
- (d) performing executive recruitment or extensive human resources functions;
- (e) acting as a broker-dealer, promoter or underwriter; or
- (f) providing legal services.

### **5.3 Approvals required**

To ensure auditor independence is maintained, the Company requires all engagements of the external auditor to provide Non-audit Services to be approved in writing by the Chief Financial Officer or the Chair of the Committee.

The Chief Financial Officer or the Chair of the Committee must obtain the prior written approval of the Committee before the external auditor can be engaged to perform Non-audit Services where:

- (a) the fee for the particular engagement exceeds \$100,000; or
- (b) the annual fees for all Non-audit Services exceed, or are likely to exceed, 50% of the auditor's annual audit fees.

In assessing a request for Non-audit Services, the Chief Financial Officer, the Chair of the Committee and the Committee are required to give consideration to:

- (a) the nature of the service provided;
- (b) the dollar value and period of engagement;
- (c) the availability of alternate service providers and the reasoning for recommending the external auditor;
- (d) the audit firm's self assessment of its independence risk, including safeguards to mitigate perceived risks;
- (e) whether the provision of the Non-audit Services creates a threat to the independence of the external auditor; and
- (f) any other circumstances relevant to the engagement.

#### **5.4 Reporting**

The Chief Financial Officer must report to the Committee on a periodic basis regarding:

- (a) any Non-audit Services provided by the auditor; and
- (b) the amounts paid to the external auditor for those services.

The Committee must provide an annual report to the Board with respect to the Non-audit Services provided by the external auditor during the year. The report must include:

- (a) the amounts paid or payable to the external auditor for Non-audit Services provided during the year;
- (b) a statement whether the Committee is satisfied that the provision of those services during the year is compatible with the general standard of independence for auditors; and
- (c) the reasons for the Committee's opinion.

#### **6 Rotation**

The external audit engagement partner is required to rotate at least once every five years.

#### **7 Currency and Review of Policy**

This Policy was adopted by the Board on 12 November 2015.

The Board will review this Policy to ensure it remains relevant to the current needs of the Company and the Board. This Policy may be amended by resolution of the Board.