

Audit & Risk Management Committee Charter

October, 2020

Booktopia Group Limited ACN 612 421 388

Audit & Risk Management Committee Charter

Booktopia Group Limited ACN 612 421 388 and its subsidiaries (the Company)

1. Introduction

1.1 Purpose of Charter

This is the Charter of the Audit & Risk Management Committee established by the Board of the Company (the **Charter**). The Charter governs the operations of the Audit & Risk Management Committee. It sets out the Committee's role and responsibilities, composition, structure and membership requirements.

1.2 Purpose of Committee

The Committee has been established to assist the Board of the Company (**Board**) in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process and internal control structure, risk management systems (financial and non-financial) and the internal and external audit process. Accordingly the Committee will meet on a regular basis to:

- (a) review and approve internal audit and external audit plans;
- (b) update the internal and external audit plans;
- (c) review and recommend to the Board financial reports;
- (d) review reports arising from internal audit activities and other risk assurance activities; and
- (e) review the effectiveness of the Company's compliance and risk management functions.

2. Membership

2.1 Composition of committee

The Committee will:

- (a) comprise only of members of the Board of Directors (**Directors**) and members will be appointed and removed by the Board;
- (b) be of sufficient size, independence and technical expertise to discharge its mandate effectively;
- (c) consist of:
 - (i) at least three members;
 - (ii) only non-executive directors;
 - (iii) a majority of independent directors (**Independent Directors**); and
 - (iv) an independent² Chairperson, who will be nominated by the Board from time to time, but who will not be the chairperson of the Board.

2.2 Ceasing to be a member of the committee

A person will cease to be a member of the Committee if:

- (a) the person gives reasonable notice in writing to the Committee Chairperson of the person's resignation as a member of the Committee;
- (b) the Committee Chairperson gives the person notice in writing that the person is to cease to be a member of the Committee; or
- (c) the person ceases to be a Director, in which case the person automatically ceases to be a member of the Committee.

2.3 Secretary

- (a) The Committee will have a secretary, which is to be the Company Secretary or such other person as nominated by the Board (**Committee Secretary**).
- (b) The Committee Secretary will attend all Committee meetings.
- (c) The Committee Secretary, in conjunction with the Chairperson of the Committee, must prepare an agenda to be circulated to each Committee member.
- (d) The Committee Secretary will distribute a meeting timetable for each forthcoming calendar year.

3. Meetings & authority of committee

3.1 Meetings

- (a) The Committee will meet often enough to undertake its role effectively. However, it is intended that the Committee will meet at least three times each calendar year.
- (b) The Committee has unrestricted access to information it considers relevant to its responsibilities. The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.
- (c) The quorum for any meeting will be 2 members.
- (d) Special meetings may be convened as required. The Chairperson will call a meeting of the Committee if requested to do so by any member of the Committee, by the external auditors or by the Chairperson of the Board.
- (e) The Committee may invite such other persons (for example, staff, Managing Director/CEO, CFO, external parties) to its meetings, as it deems necessary, whether on a permanent or ad hoc basis.
- (f) The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each Committee meeting.

3.2 Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- (a) investigate any matter brought to its attention with full access to all books, records and facilities;

- (b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties;
 - (c) obtain outside accounting, legal, insurance, compliance, internal audit, risk management or other professional advice as it determines necessary to carry out its duties; and
 - (d) ensure the attendance of Company officers at meetings as it thinks appropriate.
-

4. Duties and responsibilities

4.1 Understanding the Company's Business

The Committee will ensure it understands from management the Company's structure, business and controls to ensure that it can adequately assess the significant risks faced by the Company.

4.2 Financial Reporting

The Committee's primary financial reporting responsibility is to oversee the Company's financial reporting process on behalf of the Board and to report the results of its activities to the Board. The Committee will:

- (a) review the Company's financial statements to determine whether they reflect the understanding of the Committee of, and otherwise provide a true and fair view of, the financial position and performance of the Company and other group entities and make any necessary recommendations to the Board;
- (b) review significant accounting policies adopted by the Company to ensure compliance with the Australian International Financial Reporting Standard and generally accepted accounting principles;
- (c) ensure that before the Board approves the Company's financial statements for a financial period, that the Board receives from the CEO and the CFO a declaration that, in their opinion, the financial records of the Company and its controlled entities have been properly maintained and that the financial statements comply with the applicable accounting standards and give a true and fair view of the financial position and performance of the Company and its controlled entities and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively;
- (d) review the Company's corporate and financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes. This includes reviewing the process to verify the integrity of any periodic corporate report the Company releases to the market that is not audited or reviewed by the external auditor.
- (e) consider financial matters relevant to half yearly reporting in a timely manner; and

- (f) review other financial information distributed externally as required.

4.3 Oversight of risk management framework

- (a) The Committee's primary risk management responsibility is to review the Company's risk management framework annually to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board and report to the Board on the results of those assessments.
- (b) The Committee will review and make recommendations to the Board regarding:
 - (i) the adequacy of the Company's processes for managing risk;
 - (ii) any material incident involving fraud or other failure of the Company's risk controls;
 - (iii) whether the Company has any material exposure to environmental or social risks, and how it manages any risks identified; and
 - (iv) the Company's insurance program, having regard to the business of the Company and its controlled entities and the insurable risks associated with the business.

4.4 Reporting to the Board

- (a) The Committee will regularly report to the Board on all matters relevant to the Committee's role and responsibilities.
- (b) The Chairperson will report and as appropriate make recommendations to the Board after each meeting of the Committee on matters dealt with by the Committee.
- (c) As and when appropriate, the Committee will seek direction and guidance from the Board on audit, risk management and compliance matters.
- (d) The Committee will ensure that the Board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company in a timely manner.

4.5 Assessment of accounting, financial and internal controls

Periodically, the Committee will meet separately with management, the internal auditors, and the external auditors to discuss:

- (a) the adequacy and effectiveness of the accounting and financial controls including but not limited to the Company's policies and procedures to assess, monitor, and manage business risk and legal and ethical compliance programs;
- (b) the appropriateness of the accounting judgements and choices exercised by management in preparing the Company's financial statements; and
- (c) issues and concerns warranting Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.

The Committee will:

- (a) provide sufficient opportunity for the internal auditors and the external auditors to meet privately with the members of the Committee;
- (b) evaluate management's responsiveness to internal auditor's finding and recommendations;

- (c) review with the external auditor its report regarding significant findings in the conduct of its audit and the adequacy of management's response, and monitor whether any issues are being managed and rectified in an appropriate and timely manner;
- (d) separately from management, discuss with the external auditor matters relating to the conduct of the audit, including the timeliness of its reporting, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, significant disagreements with management (if any) and adequacy of management's response; and
- (e) receive regular reports from the external auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

4.6 Appointment of external auditors and scope of external audit

The Committee will:

- (a) make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting¹;
- (b) consider the rotation of the audit engagement partner of the external auditors;
- (c) consider the scope and adequacy of the external audit;
- (d) discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures; and
- (e) ensure that the terms of appointment of the external auditors includes a requirement to attend the annual general meeting (**AGM**) of the shareholders of the Company and that they are available at the AGM to answer any questions from shareholders relevant to the audit.

4.7 Pre-approval of audit and non-audit services provided by external auditors

- (a) The Committee will pre-approve all audit and non-audit services provided by the external auditors and will not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- (b) The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

4.8 Assessment of the external audit

- (a) The Committee, at least on an annual basis, will obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):
 - (i) the audit firm's internal quality control procedures;

¹ When recommending the appointment of an auditor or assessing potential and continuing auditors, directors and members of the Audit & Risk Management Committee will have regard to best practices, including guidance outlined in ASIC Information Sheet 196 on Audit quality: The role of directors and audit committees (re-issued on 23 June 2017).

- (ii) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
- (b) all relationships between the external auditor and the Company (to assess the auditor's independence).
- (c) The Committee will set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgement or independence in respect of the Company.
- (d) The Committee will review and assess the independence and performance of the external auditor², including:
 - (i) a review of 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;
 - (ii) a review of any appointments of the external auditor to provide non-audit services and whether those appointments may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- (e) The Committee will confirm an annual statement for inclusion in the Company's annual report as to whether the Committee is satisfied the provision of non-audit services is compatible with external auditor independence.

4.9 Assessment of the internal audit

The Committee will provide a link between the internal audit function and the Board. The head of the internal audit function will have a direct reporting line to the Committee and, therefore, to the Board.

The Committee will:

- (a) be responsible for the appointment and removal of the head of the internal audit function or engage external parties to provide internal audit services to the Company;
- (b) review the internal auditor's charter and resources to ensure no unjustified restrictions or limitations are imposed upon internal audit staff and that resourcing is adequate;
- (c) consider and discuss the scope and adequacy of the internal audit with the internal auditor, including the internal audit plan, work program and quality control procedures; and
- (d) consider the objectivity and performance of the internal audit function.

4.10 Compliance with Laws and Regulations

The Committee will:

- (a) gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis;
- (b) obtain regular updates from management, the Company's legal counsel, auditors

² When assessing the quality of audits, directors and members of the Audit & Risk Management Committee will have regard to best practices, including guidance outlined in ASIC Information Sheet 196 on *Audit quality: The role of directors and audit committees* (re-issued on 23 June 2017).

and any external parties as it thinks fit regarding audit, risk management and compliance matters and regularly review existing compliance systems and consider any deficiencies in compliance risk measures;

- (c) review any legal matters which could significantly impact the Company's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports;
- (d) review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance;
- (e) be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents; and
- (f) review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.

4.11 Review of media releases, announcements and complaints

The Committee will:

- (a) review and discuss media releases, ASX announcements and any other information provided to analysts;
- (b) review all representation letters signed by management to ensure that the information provided is complete and appropriate;
- (c) establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; [
- (d) review corporate legal reports of evidence of a material violation of the Corporations Act 2001 (Cth), the ASX Listing Rules or breaches of fiduciary duties; and
- (e) receive copies of any reports compiled by whistleblower protection officers in respect of any whistleblowing complaints (in accordance with anonymity and confidentiality requirements).

4.12 Committee performance

- (a) The Committee will perform an evaluation of its performance at least once a calendar year to determine whether it is functioning effectively by reference to current best practice.
- (b) The Board will evaluate the performance of the Committee as appropriate.

5. Other matters

5.1 Amendment of Charter

This Charter can only be amended with the approval of the Board.

5.2 Adoption of Charter and periodic review

This Charter was adopted by the Board on October 30, 2020, and takes effect from that date and replaces any previous charter in this regard.

The Committee must review and reassess this Charter and the Risk Management Policy at least once a calendar year and, on each occasion, obtain the approval of the Board to any amendments to the Charter or Risk Management Policy. The Board will also review this Charter and the Risk Management Policy periodically.

The Company Secretary will communicate any amendments to employees as appropriate.