

Dated 16 August 2019

# Audit Committee Charter

Virtus Health Limited (ABN 80 129 643 492) ("Virtus")

Adopted by the Board on 16 August 2019

# Audit Committee charter

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# Audit Committee Charter

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## 1 Purpose and authority

### 1.1 Purpose

The purpose of this Audit Committee Charter is to specify the authority delegated to the Audit Committee (“**Committee**”) by the board of directors of Virtus (“**Board**”) 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 Virtus’ 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.

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## 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 Virtus’ external financial reporting and financial statements;
- (b) the appointment, remuneration, independence and competence of Virtus’ external auditors;
- (c) the performance of the external audit function and review of their audits;
- (d) the effectiveness of Virtus’ system of financial risk management and internal controls;
- (e) Virtus’ systems and procedures for compliance with applicable legal and regulatory requirements;
- (f) in conjunction with the Risk Committee, the appointment, remuneration, independence and performance review of Virtus’ internal auditors; and
- (g) oversight of tax compliance and tax filings.

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## 3 Audit 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, including 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 Virtus of financial and associated non-financial information.

- (e) assessing (before publication) whether external financial reporting and associated non-financial information is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- (f) reviewing material documents and reports prepared for lodgement with financial regulators, assessing their impact on Virtus 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 reporting to ASX;
- (h) reviewing the completeness and accuracy of Virtus' 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 Virtus;
- (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; and
- (m) recommending to the Board whether the financial and associated non-financial statements should be signed based on the Committee's assessment of them.

### **3.2 External audit**

The Committee is responsible for:

- (a) 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;
- (b) agreeing the terms of engagement of the external auditor before the start of each audit;
- (c) 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;
- (d) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance;
- (e) reviewing the external auditor's independence based on the external auditor's relationships and services with Virtus and other organisations;
- (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 Virtus' 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 procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

### 3.3 Internal control

The Committee is responsible for:

- (a) preparing a financial risk profile which describes the material financial risks facing Virtus;
- (b) regularly reviewing and updating the financial risk profile;
- (c) ensuring that Virtus has an effective financial risk management system;
- (d) assessing and ensuring that there are internal processes for determining and managing key financial 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 (in conjunction with the Risk Committee);
  - (iv) litigation and claims (in conjunction with the Risk Committee);
  - (v) fraud and theft (in conjunction with the Risk Committee); and
  - (vi) relevant business risks not dealt with by other Board committees;

- (e) 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;
- (f) overseeing investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting;
- (g) examining and evaluating the effectiveness of the internal control system with management and external auditors and making improvements;
- (h) encouraging voluntary reporting by employees to the Committee of breaches of internal controls and Virtus policies, and incidents within the risk areas above;
- (i) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of financial risk in conjunction with the Risk Committee; and
- (j) meeting periodically with key management, external auditors and compliance staff to understand Virtus' control environment.

### **3.4 Internal Audit**

The Committee, in conjunction with the Risk Committee, is responsible for oversight of the appointment, independence and access of the internal audit function. The Committee will review Internal Audit reports that relate to reviews over financial controls and considers the following factors in carrying out this role:

- (a) international internal audit standards – become familiar with the guidance issued by the Institute of Internal Auditors on the responsibilities, activities and elements of an effective internal audit function;
- (b) clarify expectations with senior management, board and risk committee to ensure that the role of the internal audit function is understood and to clarify the expectations and responsibilities of all parties with respect to financial risk management and internal control activities;
- (c) reviewing the internal audit charter;
- (d) reviewing and approving the scope of the internal audit plan based on Virtus' key risks which identifies the areas of greatest exposure and need for assurance and monitor management's execution of the internal auditor's recommendations;
- (e) understanding the internal audit quality assurance processes and;
- (f) appointment and removal of the internal audit service provider is a matter for the Board acting on recommendation from the Audit and Risk Committees.

### **3.5 Related party transactions**

The Committee is responsible for reviewing and monitoring the propriety of related party transactions. Refer to the Code of Conduct for expected behaviour and the process for resolving conflicts of interest.

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## **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.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

### **4.2 Chairperson**

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

The chairperson of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chairperson 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 Virtus operates.

### **4.4 Skills development**

If the Committee chairperson approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at Virtus' 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 is the secretary of the Committee.

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## **5 Committee meetings and processes**

### **5.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions in Virtus' 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. The chairperson must call a meeting of the Committee if requested by any member of the Committee, the external auditor or the chairperson of the Board.

### **5.3 Quorum**

Two directors constitute a quorum for meetings of the Committee.

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

Executives of the Company or Group may be invited to attend scheduled meetings of the Committee and a standing invitation will be issued to the external auditors.

The Committee Chairperson may also invite other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as required.

Non-executive Directors of the Company may attend meetings of the Committee at any time after notifying the Chairperson of their intention to attend.

### **5.5 Agenda and documents**

The chairperson of the Committee determines the meeting agenda after appropriate consultation.

Unless otherwise agreed or considered necessary by the chairperson, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting documentation, will be circulated by the secretary to each Committee member and any other individual invited to attend, not less than three business days before the meeting.

### **5.6 Access to information and advisors**

The chairperson 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 Virtus' 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 external auditors.

### **5.7 Minutes**

The secretary will keep minute books to record the proceedings and resolutions of its meetings.

The chairperson 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.

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## **6 Committee's performance evaluation**

The Committee will review its performance from time to time and whenever there are major changes to the management structure of Virtus.

The performance evaluation will have regard to the extent to which Virtus has met its responsibilities in terms of this charter.

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## **7 Review and publication of charter**

The Board will review this charter to ensure it remains relevant to the current needs of Virtus. The charter may be amended by resolution of the Board.

The charter is available on Virtus' website and the key features are published in the annual report.