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Neptune Marine Services Limited  
ACN 105 665 843

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# **Audit and Governance Committee Policy & Charter**

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# Contents



1. INTRODUCTION TO CHARTER.....	3
2. ROLE OF THE COMMITTEE .....	3
3. DUTIES AND RESPONSIBILITES OF THE COMMITTEE .....	4
4. COMPOSITION AND STRUCTURE OF THE COMMITTEE .....	6
5. MEETINGS .....	7
6. REPORTING TO THE BOARD .....	8
7. PROVISION OF NON-AUDIT SERVICES BY THE EXTERNAL AUDITOR.....	9
8. COMMITTEE REVIEW.....	9
9. ACCESS TO THIS COMMITTEE CHARTER .....	9
10. LIMITATION OF COMMITTEE’S ROLE .....	9
11. REVIEW OF THE COMMITTEE CHARTER.....	10

## 1. INTRODUCTION TO CHARTER

The Board of Neptune Marine Services Limited ACN 105 665 843 ("Neptune") recognises that risk management and internal control are key elements of good corporate governance.

Neptune has developed a risk and internal control policy that describes the manner in which Neptune identifies, assesses, monitors and manages risk.

### 1.1 Board Approval

The Board has approved this Charter. The Board may approve updates and amendments to this Charter from time to time.

### 1.2 Definitions

Unless the contrary intention is expressed in this Charter, the following words (when used in this Committee Charter) have the meanings set out below:

**Board** means the Board of directors of Neptune.

**Charter** means this Committee Charter and any amending documents.

**Committee** means the Committee of the Company appointed for the purpose this Charter.

**Company** means Neptune Marine Services Limited ACN 105 665 843 having its registered office at Level 16, 140 St George's Terrace, Perth, WA 6000.

**Group** means the Company and its subsidiaries.

## 2. ROLE OF THE COMMITTEE

The primary objective of the Committee is to assist the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, and internal and external audit. The committee does not relieve any directors of their responsibilities for these matters.

Specifically, the Committees' role is to report to the Board and provide appropriate advice and recommendations on matters relevant to this Charter in order to facilitate decision making by the Board.

The Committee has responsibility to ensure the independence of the external auditors. It will review the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

- (a) to discuss the external audit, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- (b) prior to announcement of results;
- (c) to review the half year and preliminary financial report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings;
- (d) recommend Board approval of these documents and to finalise half year and annual reporting;

- (e) review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- (f) review the draft financial report and recommend Board approval of the financial report; and
- (g) as required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

The role of the Committee does not extend to risk management in respect to the responsibilities of the Health, Safety and Environment Committee, including:

- (a) the health and safety of employees;
- (b) environmental impact, efficient use of resources, pollution reduction and prevention; and

### **3. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

The Committee has the duties and responsibilities relevant to its role including:

#### **3.1 General**

- (a) overseeing and appraising the coverage and quality of the audits conducted by both the Group's internal and external auditors;
- (b) maintain open lines of communication among the Board, the internal auditors and the external auditors to exchange views and information, as well as confirm the auditor's respective authority and responsibilities;
- (c) review (on an independent and objective basis) the financial information to be presented by management to shareholders, regulators and the general public;
- (d) reviewing the adequacy of internal controls of the Group; and
- (e) recommending and reviewing the risk management practices adopted across all material aspects of the Group's operations.

#### **3.2 External Reporting**

- (a) 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;
- (b) assess significant estimates, judgments and materiality thresholds in financial reports;
- (c) ensure that a process is established by the Group's management to capture issues for the purpose of continuous disclosure to the Australian Securities Exchange;
- (d) assess information from internal and external auditors that effects the quality of financial reports (including the form of the external audit opinion); and
- (e) recommend to the Board whether the financial and non-financial statements should be signed based on the committees assessment of them.

### **3.3 Related Party Transactions**

Review and monitor the propriety of related party transactions.

### **3.4 Risk Management**

- (a) Assess the internal processes for determining, managing and reporting on key risk areas;
- (b) ensure that the Company has an effective risk management system and review its operational effectiveness on a regular basis, particularly areas of significant risk exposure;
- (c) address the effectiveness of the Group's internal control and risk management systems with management and the internal and external auditors;
- (d) assess whether management has appropriate controls in place for transactions that may carry more than the usual degree of risk accepted by the Company; and
- (e) receiving reports concerning material, actual and suspected breaches of law, including fraud and theft and assess systems to manage this risk.

### **3.5 External Audit**

- (a) Make recommendations to the Board on the appointment, re-appointment or replacement and remuneration of the external auditor;
- (b) review and agree with the external auditor the terms of engagement for the external auditor, including fees;
- (c) monitor the effectiveness and independence of the external auditor;
- (d) review the scope of the external audit with the external auditor including identified risk areas and approve external audit plans;
- (e) review and assess provision of non-audit services by the external auditor, with particular consideration to the potential to impair, or appear to impair, the external auditor's judgment or independence in respect of the Company;
- (f) develop policies for approval by the Board, in respect of the provision of non-audit services by the external auditor, taking into account, among other things, the importance of ensuring that the provision of non-audit services does not impair, or appear to impair, the external auditor's judgment or independence;
- (g) ensure the external audit is co-ordinated with internal audit programs;
- (h) review and monitor managements responsiveness to the external audit findings; and
- (i) provide the external auditors with unrestricted and confidential access to the Managing Director and Chief Executive Officer, the Chairman of the Committee; or if deemed appropriate by the external auditors, to the Chairman of the Board.

### **3.6 Internal Audit**

- (a) Approve the internal auditor, where the internal auditor is an executive of the Company or; where the internal auditor is an external contractor; approve the appointment and the internal auditor's terms of engagement;
- (b) review the internal auditor's mission, charter and resourcing (including qualifications, skills, experience, funding and equipment);
- (c) ensure the internal auditor reports directly to the Chief Executive Officer and the Committee Chairman;
- (d) review and approve the scope and monitor the progress of the internal audit plan and work program;
- (e) monitor and critique management responsiveness to internal audits, findings and recommendations; and
- (f) on a regular basis, meet with the internal auditor without the presence of management.

### **3.7 Compliance**

Review reports from management concerning compliance with key laws, regulations, licences and standards which the Company is required to satisfy to operate.

### **3.8 Annual Review**

Annually review the committee's Charter and report the results of the review to the Board, making such recommendations for amendments as are considered necessary.

### **3.9 Other Responsibilities**

The Committee will perform other oversight functions as expressly requested by the Board.

## **4. COMPOSITION AND STRUCTURE OF THE COMMITTEE**

### **4.1 Composition**

The Committee shall be comprised of up to three Non Executive Directors as determined by the Board. Each member must be an independent director and free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgment as a member of the Committee.

The Chairman of the Committee will be an independent Non-Executive Director of the Company.

All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the committee shall have audit committee financial expertise.

The Chairman of the Board may attend meetings, ex-officio.

The Managing Director, the Chief Financial Officer, Company Secretary or his or her nominee (acting as meeting secretary), the internal auditor or representative(s) of the internal auditors and the representative(s) of the external auditor may attend meetings by invitation. Other Directors of the Board are entitled to attend the Committee meetings and copies of the papers will be sent to other Directors at the same time as Committee members.

#### **4.2 Removal or Resignation**

If a member of the Committee ceases to be a Director of the Company, that member ceases to be a member of the Committee. The Board may remove a member of the Committee.

#### **4.3 Access to Employees and other Persons**

The Committee, in performing its functions, may:

- (a) direct any of the following to attend a meeting of the committee:
  - (i) the external auditor;
  - (ii) the internal auditor, if an external party is appointed; and
  - (iii) any employee of the Company; and
- (b) to the extent permitted by law, access any document, report, material or information in the possession of an employee or external advisor of the Company;

as the Committee considers appropriate.

#### **4.4 Secretary**

The Committee will appoint a secretary to assist in the administration of the Committee's affairs. The secretary of the Committee will be responsible, in conjunction with the Chairman of the Committee for determining the agenda for each meeting.

#### **4.5 Special Investigations**

The Committee may initiate special investigations as it sees fit, or as directed by the Board, in relation to matters set out in this Charter.

#### **4.6 Access to Independent Advice**

The Committee may obtain independent professional advice to assist it in the proper exercise of its powers and responsibilities, with the cost to be borne by the Company.

### **5. MEETINGS**

#### **5.1 Holding of Meetings**

The Committee will hold two meetings a year, to review the half year and annual accounts, and such additional meetings as the Chairman of the Committee shall decide in order for the Committee to fulfil its duties.

In addition, the Chairman of the Committee is required to call a meeting of the Committee when requested to do so by an Committee member, the Chief Executive Officer, the Chief Financial Officer, the internal auditors or the external auditors.

As part of its role to foster open communications, the Risk and Audit Committee will meet regularly with management, the internal auditor and the external auditor to discuss any matters the Committee or, each of these groups believe should be discussed.

The Committee will meet in the absence of management, with the external auditors or the internal auditors, when considered relevant by the Chairman of the Committee.

## **5.2 Quorum**

A quorum will comprise any two independent Non Executive Director Committee members present in person or by using any technology. In the absence of the Chairman of the Committee, the members will elect one of their number as Chairman for that meeting.

Each member will have one vote and the Chairman of the Committee will not have a second or casting vote.

## **5.3 Attendance at Meetings**

Unless otherwise directed by the Board, the Chief Executive Officer and the Chief Financial Officer will attend each meeting. The Committee may invite any person to attend all or any part of, or make presentations to, a meeting of the Committee.

The Committee must, at least semi annually, meet separately with the internal auditor and the external auditor without the presence of management.

## **5.4 Minutes of Meetings**

The Secretary of the Committee will be the group secretary or the designated representative. The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The secretary of the Committee will circulate minutes of meetings to members of the Committee and the Board.

The Committee 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.

# **6. REPORTING TO THE BOARD**

The Chairman of the Committee shall formally report to the Board of Directors at the Board meeting following each Committee meeting, providing a summary of the Committee's work and deliberations.

This report should include:

- (a) the minutes of the Committees meeting;
- (b) any formal resolutions made by the Committee;
- (c) details of any discussions on the audit process and the results of any external audits performed in the period;
- (d) any recommendations requiring Board approval; and
- (e) other matters the Committee believe need to be reported to the Board.

As part of the Committees' annual review of its performance, the Committee will provide additional reporting to the Board as appropriate as part of the Committee's role monitoring financial reporting, internal and external audit processors of the Company's risk management and internal control systems.

## **7. PROVISION OF NON-AUDIT SERVICES BY THE EXTERNAL AUDITOR**

To maintain auditor independence, the Committee is to approve all engagements of the external auditor to provide non-audit services.

As a general principle the Committee will not authorise the external auditor to provide any non audit services to the Company which would create a real or perceived threat to the independence of the external auditor.

Internal audit will monitor compliance with the Companies policy in respect of the provision of non-audit services by the external auditor and periodically report to the Committee as to compliance. Any breach of this policy must be promptly reported to the Chairman of the Committee. The Chief Financial Officer will also report to the Committee on a periodic basis regarding:

- (a) any non-audit services provided by the auditor; and
- (b) the level of fees paid for providing such services.

The Committee will provide an annual report to the Board with respect to the non-audit services (if any), provided by the external auditor during the year. It must include;

- (a) the amounts paid or payable to the external auditor for those non-audit services;
- (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 of the auditors; and
- (c) the reason for the risk for the Committee's opinion.

## **8. COMMITTEE REVIEW**

The Committee will regularly complete a performance evaluation of the Committee and assess the performance of the Committee against the requirements of the Charter.

The Committee will make recommendations to the Board in relation to the Committees' membership, responsibilities and functions, obtain feedback from the Board on its performance and implement any agreed actions.

The Board will regularly evaluate the operations of the Committee.

## **9. ACCESS TO THIS COMMITTEE CHARTER**

This Charter will be available for viewing by any person on the Company's website or a copy will be sent upon request.

## **10. LIMITATION OF COMMITTEE'S ROLE**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty or the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with accounting standards, generally accepted accounting principles and other applicable rules and regulations.

It is the external auditor's responsibility to plan and conduct the audit. It is management's responsibility to determine that the Company's financial statements and disclosures are complete and in accordance with accounting standards, general accepted accounting principles and other applicable rules and regulations. Ultimately,



responsibility for overseeing the integrity of the Company's financial reporting rests with the Board.

## **11. REVIEW OF THE COMMITTEE CHARTER**

The Charter will be reviewed at least annually and will be amended (as appropriate) to reflect current best practice in corporate governance and the duties and responsibilities of Committees. In accordance with the requirements of the Board, the Board will regularly review the Charter to ensure its effectiveness and continued application and relevance.