

## Audit Committee Charter

### 1. Introduction

The Audit Committee (the "Committee") is a committee of the Board of directors of InvoCare Limited ("Company") established under article 10.6 of the Company's constitution.

This charter sets out the role, composition, authority, responsibilities and operation of the Committee.

In this Charter, the Company and its subsidiaries are collectively called the "Group".

### 2. Powers

The Committee may have unrestricted access to management, internal audit, and the external auditors to fulfil its purpose and undertake its duties.

### 3. Role

The role of the Committee is to:

- assist the Board in fulfilling its oversight of the reliability and integrity of financial management, accounting policies, asset management and financial reporting;
- advise the Board on the matter of internal control including financial statements, due diligence, information technology and financial systems integrity;
- establish and maintain an effective internal audit function;
- oversee the scope, relationship, appointment and work of internal and external auditors;
- recommend to shareholders the termination of the external auditor's appointment where appropriate;
- recommend improvements for the correlation between financial and non-financial information and reports;
- strengthen the role and influence of non-executive directors;
- report to the Board all matters relevant to the Committee's responsibilities;
- approve the terms and fees for engagement of the external auditor;
- review processes and controls for the identification and management of strategic, financial, taxation and information technology risks (the "Financial Risks") to which the Group is exposed;
- communication to the board as to the management of Financial Risks, the risk profile, and internal controls; and
- review and monitor the Group's compliance with the law and ASX Listing Rules.

## **4 Responsibilities**

### **4.1 External Reporting**

The Committee should:

- review the appropriateness and integrity of the accounting principles adopted by management in the composition and presentation of financial reports including whether the financial disclosures made by management accurately portray the Group's financial condition, plans and long-term commitments;
- oversee the financial reports and the results of external audit of those reports;
- review, assess and approve the annual report, the half-year financial report and all other financial information published by InvoCare;
- review, assess and approve any financial information that is to be released to the market;
- obtain from the external auditors an independent judgement about the appropriateness of the accounting principles used and the clarity of financial disclosure practices;
- review the Group's half-yearly and annual financial statements including whether they are complete and consistent with appropriate accounting standards;
- recommend to the Board whether the financial statements should be signed;
- require the Chief Executive Officer (the "CEO"), the Chief Financial Officer (the "CFO") and the Chief Operating Officer (the "COO") to state in writing that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- encourage management's accountability for the preparation, presentation and integrity of the Group's financial statements and reports and for ensuring compliance with accounting standards and applicable laws and regulations.

### **4.2 Internal Control**

The Committee should:

- receive from management, reports relating to suspected and actual fraud and thefts;
- receive regular reports from management and the internal auditor;
- examine the effectiveness of the internal control function with management, internal and external auditors;
- meet periodically with key management, internal and external auditors and compliance staff to understand the Group's control environment;
- ensure the internal audit function has a clear line of direct communication to the Chairman of either the Committee or the Board;
- review the effectiveness and independence of the internal audit function and ensure its resources are adequate;
- ensure internal controls are adequate to enable the Committee to manage and deal with Financial Risks; and

- meet with internal audit at least twice a year without the presence of management.

#### **4.3 External Audit**

The Committee should:

- review and advise the Board on the appointment, remuneration, effectiveness and independence of the external auditor;
- ensure that the requirements of *Corporations Law* in relation to audit partner rotation policy are complied with;
- satisfy itself on an annual basis that the audit firm's procedures on succession planning of professional staff, the lead partner and the independent review partner assigned to the audit are appropriate and will ensure an on-going and efficient audit;
- if a change in external auditor is considered necessary, that a formal tendering process is undertaken, with the Committee identifying the attributes required of an auditor and ensuring the selection process is sufficiently robust to ensure selection of an appropriate auditor;
- agree to the terms of engagement of the external audit before the start of each audit;
- review the audit plan, discuss audit results and consider the implications of external audit findings with the external auditor;
- review the scope of the external audit and any additional procedures with the external auditor;
- review any disagreements between the external auditors and management, whether or not resolved;
- examine management's response to the external auditor's findings and recommendations;
- provide to the external auditor a clear line of direct communication to the chairperson of either or both the Committee and the Board;
- review all representation letters signed by management and ensure all information provided is complete and appropriate;
- meet with external auditor without having management present at least twice each year; and
- review and approve the level of non-audit services provided by the external auditor and ensure it does not adversely impact on auditor independence.

#### **4.4 Information Technology**

The Committee should ensure:

- compliance with the Group's information technology policy;
- all information technology systems meet the operational requirements of the Group;
- all system information is backed up in accordance with established back up procedures;

- adequate disaster recovery plans have been implemented;
- all risks relating to information technology are considered by the Committee and reported to the Board; and
- full disclosure of information has been made on the InvoCare's website, as required by the ASX Listing Rules or any other relevant legislation.

#### **4.5 Management of Financial Risks**

The Committee's responsibilities in respect of Financial Risks are:

- to identify, assess, monitor and manage Financial Risks in the same manner and under the same terms as required of the Risk Committee under the Risk Charter in respect of risks referred to in that charter;
- to inform investors of material changes to the Group's risk profile so far as it relates to the Financial Risks and to maintain appropriate risk management practices throughout the operations, practices and systems of the Group.
- to obtain, each year, a statement from the CEO and the CFO, to the Board that, in respect of the Financial Risks, the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects; and
- liaise regularly with the Risk Committee and in particular in respect of any matter which comes to the attention of the Audit Committee which may impact on the risk profile of the Group generally or which the Committee is not clear whether the matter is the responsibility of the Audit Committee or the Risk Committee.

#### **4.6 Conflicts of Interest, Insider Trading and Fraud**

The Committee's responsibilities in respect of conflicts of interest, insider trading and fraud are:

- reviewing and monitoring the propriety of any related party transactions;
- enquiring into actual or potential conflicts of interest, including reviewing contracts, arrangements or undertakings that may involve related parties and more generally, monitoring significant transactions to ensure they are at arm's length;
- evaluating and ensuring compliance with the Group's policies on insider trading;
- ensure the establishment and maintenance of effective internal controls to minimise the risk of fraud or malfeasance; and
- overseeing the investigations of any allegations of fraud or malfeasance by employees or officers of the Group.

### **5 Membership**

The Committee shall consist of at least three members all of whom are independent non-executive directors. The Committee will also have an independent chairperson who is not the chairperson of the Board.

Each member of the Committee must be free of any relationship that may interfere with the exercise of independent judgement and be financially literate.

At least one member of the Committee must have accounting or related financial management expertise and a least two members must have some knowledge about the funeral industry.

The Board shall elect both the chairperson and the members of the Committee and ensure the Committee remains of sufficient size, independence and technical expertise to discharge its mandate effectively.

## **6 Meetings**

The Committee shall meet quarterly and at such other times as are required to perform its functions. The quorum for meetings of the Committee is two members of the Committee. Except as otherwise stated in this Charter, the meetings will be conducted in the same manner and rules as Board meetings. Any Board member who is not a member of the Committee may attend meetings of the Committee. The Committee may request attendance of management or any other parties at its meetings.

## **7 Annual Review**

In relation to the external auditor, the Committee shall on an annual basis:

- consider and report to the Board as to whether the external auditor's provision of non-audit services to the Group is compatible with maintaining independence of the external auditor; and
- consider whether to recommend to shareholders that the external auditor's appointment be retained or terminated.

The Committee shall also, when appropriate but at least on an annual basis:

- review this charter and, if necessary, recommend changes;
- review with management and the external auditor, the financial report to be included in the annual report including:
  - the external auditor's responsibilities under generally accepted auditing standards;
  - significant accounting policies;
  - management judgements;
  - adjustments arising from the audit;
  - the external auditor's judgements about the quality, and acceptability of accounting principles as applied in the financial report; and
  - prepare or consider any report or other disclosures to be included in the annual report or other communications to shareholders on the relationship between the external auditor and the Group.

## **8 Authority**

The Committee may conduct or authorise investigations into any matter within its responsibility or matters delegated by the Board. The Committee shall have the authority to do whatever is necessary or appropriate, without the Board's or management's approval, to enable it to discharge its duties and responsibilities, including but not limited to select, retain, meet and terminate external counsel,

accountants, or other experts as it deems appropriate; and to seek the information and assistance it requires from employees or any other party (with or without management presence).

## **9 Reporting to the Board**

The Committee must promptly provide the Board with minutes of its meetings and for inclusion in the board papers of the next board meeting. The Committee must also report to the Board in relation to all matters relevant to the Committee's role and responsibilities including:

- an assessment of whether external reporting is consistent with internal information and knowledge and is adequate for shareholder needs;
- an assessment of the management processes which support external reporting;
- procedures for the selection and appointment of external auditors and for the rotation of external audit engagement partners;
- recommendations for the appointment or removal of an auditor;
- an assessment of the performance and independence of the external auditor, including whether independence is maintained having regard to provision of non-audit services;
- an assessment of the performance and objectivity of the internal audit function; and
- results of its review of risk management, (of financial and strategic matters and information technology) internal compliance and control systems.