



**MOUNTAIN BIKE AUSTRALIA**

# Mountain Bike Australia Limited (MTBA Limited)

ACN 616 027 153

## Audit, Risk & Remuneration Committee Charter

Distribution

MTBA Board

MTBA Audit, Risk and Remuneration Committee

MTBA Chief Executive Officer

MTBA Staff

All MTBA Members (available via MTBA website)

Adopted by the Board 22 July 2017

Controlled document: MTBA\_GOV-0010/1

## 1. Introduction

The audit, risk and remuneration committee oversees and monitors the company's audit processes, including the company's internal control activities and assists the Board in the oversight of the company's remuneration including bonuses and incentives for the CEO and employees.

The charter below articulates the committee's scope and responsibilities and provides it with the resources and authority required to discharge these duties. The charter includes details of the committee's composition, structure, membership requirements and processes and procedures approved by the Board.

## 2. Role and responsibilities

The audit, risk and remuneration committee is not a policy-making body but assists the Board by implementing Board policy and providing advice to the Board on:

- The company's governance and exercising of due care, diligence and skill in relation to:
  - Reporting financial information to users of financial reports;
  - Application of accounting policies;
  - Financial management;
  - The internal control system;
  - The risk management system;
  - The performance management system;
  - Business policies and practices;
  - Protection of the company's assets;
  - Workplace, Health and Safety responsibilities;
  - Compliance with applicable laws, regulations, standards and best practice guidelines; and
- Matters relating to the compensation, bonuses, incentives and remuneration issues of the CEO and MTBA Limited senior level staff.

Objectives of the committee include:

- Improving the credibility and objectivity of the accountability process, including financial reporting;
- Overseeing the effectiveness of the internal and external audit functions and providing a forum for communication between the board and the internal and external auditors;
- Ensuring the independence of the external auditor;
- Providing a structured reporting line for internal audit and monitoring the objectivity and independence of the internal auditor;
- Assuring the quality of internal and external reporting of financial and non-financial information;
- Ensuring an ethical culture has been embedded throughout the company;
- Ensuring that MTBA Limited's remuneration and incentive policies, practices and performance indicators are aligned to the Board's vision, values and overall business objectives and are appropriately designed to:
  - motivate the MTBA Limited staff and the CEO to pursue the long term growth and success of MTBA Limited, and
  - demonstrate a clear relationship between the achievement of MTBA Limited's objectives and the CEO's and the staff performance and remuneration.

### 3. Authority

The Board authorises the audit, risk and remuneration committee, through the Chair, to:

- Resolve any disagreements between management and the auditor on financial reporting;
- Pre-approve all auditing and non-audit services;
- Retain independent counsel, accountants or others to advise the audit, risk and remuneration committee or assist in the conduct of an investigation;
- Seek any information it requires from employees, who are directed to co-operate with the audit, risk and remuneration committee's requests, or from external parties;
- Provide advice to the Board to assist them to monitor and review the CEO's performance and set key performance indicators.

The existence of the Committee does not imply the fragmentation or diminution of the role of the Board to ensure the integrity of the Organisation's financial reporting.

In discharging their responsibilities, the committee members have a duty to act in the best interests of MTBA Limited as a whole, irrespective of personal, professional, commercial or other interests, loyalties or affiliations.

### 4. Composition and term

The audit, risk and remuneration committee will consist of at least three and no more than five members. The Board will appoint audit, risk and remuneration committee members based on recommendations provided by the Nominations Committee.

Appointment to the committee will be for two years or as determined by the Board and is to be confirmed annually by the Board in alignment with the first face-to-face meeting following the AGM.

Each committee member will be independent and financially literate. At least one member of the committee will be a qualified accountant holding a current accounting qualification (CPA or CA).

Following consultation with the Directors, the Board Chair proposes the Committee Chair for approval by the Board. The Board also approves the appointment of any external member to the committee to assist remuneration matters.

The Chair of the Board must not be a member of the Committee.

The duties and responsibilities of a member of the committee will be in addition to those duties set out for a Director of the Board.

### 5. Meetings

The audit, risk and remuneration committee will meet at least four times a year and additionally as the committee considers necessary at appropriate points in the audit cycle. The internal or external auditors may require a meeting and such a request is to be met.

A quorum will be one more than half the members. In the chair's absence from a meeting, the members present will select a chair for that particular meeting (who shall not be the Chair of the Board).

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All audit, risk and remuneration committee members are expected to attend each meeting in person or through any technological means by which members can participate in a discussion.

The notice and agenda of a meeting will include relevant supporting papers.

The committee may invite other people to attend as it sees fit and consult with other persons or seek any information it considers necessary to fulfil its responsibilities. The members may meet separately with auditors.

#### 5.1. Invitees

Other persons may attend meetings of the audit, risk and remunerations committee by invitation of the committee.

Persons who may usually be invited are:

- The chief executive officer
- The chief financial officer (or equivalent)
- An external audit provider

These people may take part in the business of, and discussions at, the meeting but have no voting rights.

#### 5.2. Voting

Any matter requiring a decision will be decided by a majority of votes of members present.

#### 6. Conflicts of interest

Committee members will be invited to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged. Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from committee discussions on the issue where a conflict exists.

#### 7. Secretariat duties

The CEO will appoint an appropriate person to act as secretary to the audit, risk and remuneration committee. The secretary will assist the chair to develop and distribute agendas, papers, minutes and calendar. If the agenda includes discussions regarding remuneration and the appointed secretary is an MTBA staff member, an alternative person shall provide secretariat duties in relation to the particular meeting.

Minutes must be prepared, approved by the chair and circulated to the members within one week of a meeting. The minutes must be ratified by the members present at the meeting and signed by the chair.

The chair of the audit, risk and remuneration committee is to report to the Board following each committee meeting.

## 8. Reviews

The audit, risk and remuneration committee will review its performance on an annual basis. The review as a minimum will be conducted as a self-assessment and will be coordinated by the chair. The assessment may seek input from any person. The chair will monitor training requirements.

The audit, risk and remuneration committee should review this charter annually to ensure that it remains consistent with the boards objectives and responsibilities. The Board approves or further reviews the charter.

Appendix A – Responsibilities of the audit, risk and remuneration committee The audit, risk and remunerations committee will carry out the following responsibilities:

#### Financial reporting

- Review significant finance and reporting issues, including complex or unusual transactions and highly judgemental areas and recent professional and regulatory announcements and understand their effect on the financial report.
- Review management's process for ensuring and monitoring compliance with laws, regulations and other requirements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review and approve for distribution to the Board by the CEO, the monthly financial statements and commentary.

#### Review of the annual financial report

- Assess significant estimates and judgments in financial reports by asking management about the process used in making material estimates and then ask the internal and external auditors the basis for their conclusion on the reasonableness of management's estimates.
- Review with management and the external auditors all matters required to be communicated to the audit and risk committee under the Australian Auditing Standards.
- Consider the appropriateness of the accounting principles and policies adopted and any amendments, as well as the methods of applying those principles and policies ensuring they are in accordance with the stated financial reporting framework.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.
- Assess management explanation for unusual transactions or significant variances from prior year results or current year budget.
- Assess the management of non-financial information in documents to ensure the information does not conflict with the financial statements or other documents.
- Recommend to the Board whether the financial and non-financial statements should be signed based on the audit and risk committee's assessment of them.

#### Internal control and risk management

Assess the internal processes for determining and managing key risk areas, particularly:

- Compliance with laws, regulations, standards and best practice guidelines;
- Important judgments and accounting estimates;
- Litigation and claims;
- Fraud and theft;
- Relevant business risks other than those dealt with by other specific board committees;
- Ensure that the company has an effective risk management system and that significant or material risks are reported to the Board;
- Address the effectiveness of the internal control, risk management and performance management systems with management and the internal and external auditors;
- Assess effectiveness of, and compliance with, the corporate code of ethical conduct and compliance with internal plans, policies and procedures.
- Obtain regular updates from management and company lawyers about compliance matters.

#### External audit

- Make recommendations to the Board on the appointment, evaluation and monitoring of the effectiveness and independence of the external audit provider.
- Review the external audit provider's audit plan and fee and be satisfied that an effective audit can be conducted for the fee.
- At the start of each audit agree the terms of engagement with the provider and review the annual engagement letter.
- Review and confirm the independence for the external audit provider by obtaining statement from the provider on relationships between the auditor and the company (including non-audit services) and discussing the relationships with auditor.
- Monitor and critique management's responsiveness to the external audit provider's finding and recommendations – ask the provider if there have been any significant disagreements with management (irrespective of whether they have been solved).
- Provide the opportunity for audit and risk committee members to meet with the external audit provider without management personnel being present at least once a year.
- Advise the Board on the rotation of the external audit provider at intervals of approximately each five years or otherwise as appropriate.

#### Business risks and internal controls

- Recommend the approval of the Organisation's risk management policy to the Board and oversee the risk management system and its resourcing.
- Recommend to the Board and monitor the Organisation's risk profile developed by management, covering the principal enterprise-wide risks, including strategic, operational, legal and financial.
- Review the operational effectiveness of the policies and procedures to risk and the Organisation's internal control environment.
- Review the effectiveness of the Organisation's insurance activities.

#### Compliance

- Review the effectiveness of the Organisation's approach to achieving compliance with laws, regulations, industry codes and Organisation policies.
- Review any correspondence from regulatory bodies regarding significant issues.
- Ensure that there is a process for the Board Chair and Committee Chair to be immediately informed of any issues of significant non-compliance or litigation; when implemented.

#### Related party transactions

- Review and monitor the propriety of related party transactions

#### Remuneration

- Review and recommend remuneration of the CEO, within the terms of the employment contract, annually to the board;
- Review the CEO's recommendations regarding remuneration for senior level staff;
- Monitor senior staff remuneration in consideration of market trends;
- Monitor and review the CEO's performance and key performance indicators for the recommendation of annual bonus components;
- Recommend any amendment of the CEO employment contract to the Board.
- Review and recommend any incentive plans or ex-gratia payments to MTBA Limited's senior staff or to the CEO; and

- Review any employee grievance or staff complaints about remuneration.

Other responsibilities

- Perform other activities related to the charter as requested by the Board
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of this charter annually requesting board approval for changes and ensure appropriate disclosure as required by law or regulation
- Confirm annually that all responsibilities outlined in this charter have been carried out
- Evaluate the audit, risk and remuneration committee's and individual member' performance regularly.

Appendix B - Audit, Risk and Remuneration Committee Annual Agenda

	Scheduled meetings			
<b>Structure and skills</b>				
Review Audit and Risk Committee charter and Annual Agenda				
Assess Committee's independence, financial literacy, skills and experience				
Establish number of meetings for forthcoming year				
Committee Chair to establish meeting agenda and required attendees				
Enhance financial literacy of the Board- update on current financial events				
Perform an evaluation assessment on the Committee's and individual Member's performance				
<b>Assessment of financial information</b>				
Review significant accounting and reporting issues				
Review financial matters affecting the year end				
Review and approve annual financial statements				
Review attestations of the CEO and CFO/FM (if applicable) for Australian reporting standards				
Review with Management its evaluation of the Organisation's internal control structure and procedures for financial reporting, including any significant deficiencies or material weaknesses				
Review and discuss any reports submitted by the External Auditor detailing any instances of fraud or possible illegal acts on the part of Senior Management				
Review process, policies and procedures for continuous disclosure obligations				
If delegated to the Committee by the Board, review conflicts of interest and related party transactions				
<b>External Auditors</b>				
Recommend appointment and review performance				
Review audit plan and scope of audit work and any changes thereto				
Approve audit fees and terms of engagement				
Consider policy in relation to non-audit services				
Review and pre-approve non-audit financial services to be carried out by the external auditor				
Consider objectively the independence of the External Auditor, including obtaining written confirmation of their independence				
Review the External Auditor's report and findings and progress on Management actions				
Discuss any significant changes in accounting standards				
Discuss appropriateness of accounting policies, estimates and judgments				
Discuss the External Auditors' view on control environment, including fraud risk management				

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Resolve any disagreement between Management and the External Auditor in the financial reporting and report any significant issues to the Board				
Discuss issues with the External Auditor in the absence of Management				
Review report from the External Auditor on quality control procedures				
Review the External Auditor’s process for rotation				

<b>Business Risk and Internal Controls</b>				
Recommend the approval of the risk management policy to the Board				
Review and monitor business risks and internal controls and report to the Board				
Ensure executive remuneration risk and controls are linked to the overall risk profile				
Review insurance activities				
<b>Reporting</b>				
Maintain minutes and report to the Board				
<b>Remuneration</b>				
Review and recommend CEO remuneration to the Board				
Review CEO recommendations for senior level staff remuneration				
Recommend any amendments to CEO employment contract to the Board				
Review and recommend any ex-gratia payments to senior staff or CEO				
Review any staff complaints about remuneration				

END.