



Watpac Limited Audit and Risk Committee Charter

DATE: June 2016

Position	Name	Signature	Date Signed
Chair of Board	Dick McGruther	Dick McGruther	28 June 2016
Managing Director	Martin Monro	Martin Monro	28 June 2016
Chief Financial Officer / Company Secretary	Mark Baker	Mark Baker	28 June 2016

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1. Introduction

The Board has established an Audit and Risk Committee. The Committee is guided by this Charter and the constitution of Watpac.

2. Purpose

The primary purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by reviewing and reporting to the Board on the following matters:

- (a) the integrity of financial statements;
- (b) internal control systems and risk management;
- (c) the objectivity and effectiveness of the internal auditors;
- (d) the independence, objectivity and effectiveness of the external auditors;
- (e) the formal policy on the provision of non-audit services; and
- (f) corporate governance controls generally (including oversight of Group Risk Management).

3. Membership

- 3.1 The Committee will be appointed by the Board and where possible comprise of:
- (a) only Non-Executive Directors (or their alternates); and
 - (b) at least three members.
- 3.2 A standing invitation is issued to all Non-Executive Directors who are not members of the Committee to attend meetings.
- 3.3 The Committee Chair may also invite such other parties to attend meetings as deemed appropriate, including the Managing Director, the Chief Financial Officer and the Group Risk Manager.

4. Authority

- 4.1 The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility or as requested by the Board. It is authorised to:
- (a) appoint, compensate, and oversee the work of any registered public accounting firm;
 - (b) make recommendations to the Board in relation to the appointment of external and internal auditors, oversee and direct the external and internal audit functions and approve the remuneration and terms of both the external and internal auditors;
 - (c) approve all audit and non-audit services provided by the external auditor;
 - (d) resolve any disagreements between management and the external / internal auditor(s) regarding financial and assurance reporting;
 - (e) implement and oversee the internal control structure and risk management systems;
 - (f) retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation;
 - (g) seek any information it requires from employees or officers of Watpac (including the Group Senior Executive Team), all of whom are directed to cooperate with the Committee's requests;
 - (h) seek any information it requires from external parties;
 - (i) meet with company officers, external auditors, internal auditors or outside counsel, as necessary.
- 4.2 The Committee has unrestricted access to the Managing Director and the Group Senior Executive Team, all employees and all company records, tax and other financial advisers, legal advisers and all internal and external auditors.

5. Composition

- 5.1 The Board will appoint the Committee members pursuant to Section 3 of this Charter and appoint one member to act as Committee Chair. The Committee Chair must not be the Chair of the Board.
- 5.2 A member's position on the Committee is automatically terminated if he or she ceases to be a Director of Watpac.
- 5.3 Each Committee member must:
- (a) be appointed in accordance with Section 3 of this Charter at the discretion of the Board in accordance with the requirements of the ASX Listing Rules and having regard to best practice principles from time to time;
 - (b) be financially literate with a familiarity of finance and accounting principles; and
 - (c) understand the operational, financial and strategic risk profile of Watpac.
- 5.4 At least one member of the Committee must have recent or relevant accounting or financial experience as determined by the Board.
- 5.5 The Committee Chair must have leadership experience and a strong finance, accounting and/or business background.
- 5.6 The Company Secretary or their nominee will act as Secretary to the Committee.

6. Meetings

6.1 Number of meetings, quorum and calling meetings

The Committee will meet as required, with at least two meetings to coincide with half-year and annual financial reporting. A quorum for a meeting of the Committee will comprise the number nearest to two thirds of the number of members of the Committee or their alternates.

The Committee has the authority to convene meetings at any time as the Committee Chair considers appropriate. The Committee Chair will be required to call a meeting of the Committee if so requested by any member of the Committee, the external auditor, the Chair of the Board, the Managing Director or any two Directors, whereby he/they shall communicate to the Committee Chair the subjects to submit to the Committee.

The Committee Chair or Committee Secretary may call a meeting.

The Committee may also require the presence of the Group Risk Manager for any item or all items of the agenda.

Resolutions will be validly passed by the Committee by majority vote of members in attendance at the time a resolution is considered.

6.2 Attendance of meetings

Committee members are expected to attend each meeting. Members may attend a meeting in person, via telephone or via videoconference, provided that all Committee members involved in the meeting are able to participate in discussion.

Each Committee member is entitled to reasonable notice of a meeting. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Unless the circumstances otherwise require, for example due to a conflict of interest, a copy of the briefing materials for each meeting of the Committee will be made available to all Directors irrespective of their membership of the Committee.

6.3 External attendees

The Managing Director, Chief Financial Officer and Group Risk Manager will have a standing invitation to all Committee meetings. The Committee may also invite others to join Committee meetings, including members of management and the Company's external and/or internal auditors, as is deemed necessary by the Committee.

The Committee shall meet separately, however, with the external auditors and internal auditors, where applicable, without the presence of management, at least annually.

6.4 Minutes

The Committee Secretary will take minutes of the proceedings, resolutions of the Committee and recommendations to the Board and circulate these minutes to the members of the Committee for their comments as soon as possible following a Committee meeting.

7. Reporting

7.1 Reporting to the Board

The Committee will ensure that, once approved, the Secretary will provide a copy of the minutes of each Committee meeting to the full Board at the next Board meeting. Draft minutes may be provided to the full Board if pre-agreed by the Committee and specifically approved by the Committee Chair.

The Committee may also prepare and submit to the Board any additional reports as appropriate.

7.2 Reporting at the Annual General Meeting.

The Committee Chair, or in his/her absence any other member of the Committee in his/her place, must attend the Annual General Meetings of the Company and be prepared to answer questions or respond to issues raised at those meetings.

8. Duties and responsibilities

8.1 General duty and responsibility

The Committee shall ensure it understands Watpac's structure, controls and types of transactions in order to adequately:

- (i) oversee the significant risks faced by the Company, taking into account the Group Senior Executive Team's regular reports on the Company's key risks; and
- (ii) assess how the Group Senior Executive Senior Team appropriately discharges its risk assessment and management duties and responsibilities.

8.2 Specific duties and responsibilities

In addition to the functions specified elsewhere, the Committee will assist the Board in discharging its responsibilities to exercise due care, diligence and skill by accepting the following areas of responsibility:

- (a) Financial Integrity
 - (i) Review significant accounting and reporting issues, including all litigation, claims, risks and/or causes of impairment and make recommendations to the Board and Group Senior Executive Team as to the determination of the related contingencies, provisions and/or impairments.
 - (ii) Review the Company's accounting policies and the application of these policies to complex or unusual transactions.
 - (iii) Review decisions requiring significant judgements and estimates and make recommendations to the Board and Group Senior Executive Team in this respect.
 - (iv) Review recent professional and regulatory pronouncements, and understand their impact on the financial statements.
 - (v) Review compliance with taxation law(s) and review the accounting implications of Watpac's tax position.
 - (vi) Review, with management and the external auditors, all matters required to be communicated to the Committee under generally accepted auditing standards.
 - (vii) Review, with management and the external auditors, the results of the full year audit and half year review.
 - (viii) Review the annual and interim financial statements, and consider whether they are complete, consistent with information known to the Committee members, and reflect appropriate accounting principles and comply with the ASX Listing Rules.
 - (ix) Review other sections of the annual and half year financial reports and related regulatory filings before their release and consider the accuracy and completeness of included information as well as make recommendations, if relevant, to the Board and Group Senior Executive Team in this respect.
 - (x) Review the management representation letter to the external auditors.
 - (xi) Review financial reports and related filings and announcements and report and/or make recommendations to the Board in this respect.
- (b) Risk Management and Internal Controls

- (i) Consider the effectiveness of the company's internal control systems, including information technology security and control.
- (ii) Review the internal control structure so as to obtain reasonable assurance that assets are safeguarded, including against error and fraud, and that reliable financial records are maintained and report and/or make recommendations to the Board and Group Senior Executive Team in this respect.
- (iii) Monitor the adequacy of resourcing of the Group Risk function and its independence from executive decision making.
- (iv) Understand the scope of the external auditor's review of internal controls, and obtain reports on significant findings and recommendations, together with management's responses.
- (v) Review and monitor internal audit processes as necessary to ensure adequacy of risk management procedures and internal controls.
- (vi) Consider the adequacy and effectiveness of accounting and financial controls, including policies and procedures to assess, monitor and manage business risk, and conduct reviews of Occupational Health and Safety and Human Resources procedures and practise in conjunction with the internal auditors, external auditors and Group Risk Manager.
- (vii) Receive from management reports required to assess and monitor the internal processes for determining and managing key risk areas, including;
 - non-compliance with laws, regulations, standards and best practice guidelines;
 - judgments and accounting estimates;
 - contractual risk and indemnities;
 - litigation and claims;
 - insurance programs;
 - business continuity plans;
 - fraud and theft; and
 - any other incident involving the breakdown of Watpac's internal controls.
- (viii) Review the Company's risk management policy and framework, including management reporting and control systems used to monitor adherence to risk management policies and submit recommendations to the Board for approval.
- (ix) Ensure that the Group Risk Manager has direct access to the Committee Chair and the Chair of the Board and that he/she reports on a regular basis to the Committee on the Company's risk management policies and his/her evaluation of the Company's risk management performance.
- (x) Review the adequacy and appropriateness of resourcing of the risk management function, monitor its standing in the organisation and the involvement of such function in executive decision making.
- (xi) Receive reports from management to assess compliance with Watpac internal control systems.

- (xii) Review and make recommendations to the Board in relation to the risk disclosures in Watpac's operating and financial review in its annual report.
 - (xiii) Review and discuss with management and the internal and external auditors the overall adequacy and effectiveness of Watpac's legal, regulatory and ethical compliance programs.
 - (xiv) Review the performance and effectiveness of the Group Risk Manager and submit recommendations to the Board for approval if any changes to this position are required.
- (c) Internal Auditors
- (i) Review the adequacy and appropriateness of resourcing of the internal audit function, monitor its standing in the organisation and involvement of internal audit personnel in executive decision making;
 - (ii) Monitor any restrictions placed on the internal auditors by management;
 - (iii) Review the proposed internal audit plans and approve the scope of all works, and provide relevant details to the Board;
 - (iv) Review reports from the internal auditors on all findings from procedures, management responses and action plans in relation to those findings as well as on the follow-up of the implementation of such action plans;
 - (v) Monitor the level of communication between internal auditors, the external auditors and the Board.
- (d) External Auditor
- (i) Review the external auditor's proposed audit scope and approach. The Committee must ensure that the audit approach covers all financial statement areas where there is a risk of material misstatement and that audit activities are carried out in the most effective, efficient and comprehensive manner.
 - (ii) Review the performance of the external auditors and the cost effectiveness thereof, and make recommendations to the Board on their appointment or removal.
 - (iii) Review and confirm the independence of the external auditors by obtaining statements on relationships between the auditors and the Company, including the provision of non-audit services.
 - (iv) Review the external auditor's engagement partners' rotation practices.
 - (v) Review any relationships (such as family, employment, investment, financial or business) between the external auditors and Watpac (other than in the ordinary course of business) that could compromise the external auditor's independence.
- (e) Corporate Governance Controls
- (i) Review management's application of the ASX Corporate Governance Council's guidelines in respect of financial reporting and risk management.
 - (ii) Monitor the Company's corporate governance and market integrity risks and maintenance of appropriate controls against fraud.
 - (iii) With Board approval, the Committee may investigate other areas of Watpac's business activities, with the objective of enhancing risk management policies and protection against corporate governance failures.

- (f) Reporting
 - (i) Report to the Board about Committee activities, issues, and related recommendations, at the next meeting of Directors following a Committee meeting, and provide a formal report to the Board at least annually.
 - (ii) Provide an open avenue of communication between the external auditors and the Board.
 - (iii) Through the annual reports of Watpac or other standard reporting channels, report annually to shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other required information.
- (g) Other
 - (i) Instigate and oversee special investigations as needed and / or as requested by the Board.
 - (ii) Establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting and audit related matters.
 - (iii) Review reports on violations of the Corporations Act, the ASX Listing Rules and other breaches of fiduciary duties.
 - (iv) Review disclosures, including a statement in the Annual Report detailing the Committee's activities, the membership of the Committee, the number of Committee meetings and attendance over the course of the year, and how, in relation to the provision of non audit services by the external auditors, auditor objectivity and independence is safeguarded.
 - (v) Follow up all actions arising from Committee meetings.
 - (vi) Confirm annually that all responsibilities outlined in this charter have been carried out.
 - (vii) Evaluate the Committee's and individual members' performance at least annually to determine whether the Committee is functioning effectively.

8.3 Other duties not affected

The duties and responsibilities of a member of the Committee shall be in addition to those set out for them as a Director of Watpac.

9. Review of charter

The Committee must review the Charter annually and any changes to the Charter recommended by the Committee must be approved by the Board.

10. Definitions

In this Charter, the following terms have the corresponding meaning:

Board means the board of directors of Watpac.

Charter means this Audit and Risk Committee Charter as adopted by the Board.

Chair means the chair of the Board.

Committee means the Audit and Risk Committee established by resolution of the Board and governed by this Charter.

Company means Watpac Limited ABN 98 010 562 562.

Committee Chair means the chair of the Committee appointed by the Board.

Committee Secretary means the Secretary of the Committee appointed by the Board.

Group Senior Executive Team means the group managed by the Managing Director and comprising the Chief Financial Officer and Company Secretary, General Manager (Construction Division), General Manager (Mining & WA Civil), Group Human Resources Manager, State Manager (Victoria Construction), General Manager (Specialty Services), State Manager (Queensland Construction), State Manager (SA Construction) and the State Manager (NSW Construction).

Watpac means Watpac Limited ABN 98 010 562 562.

11. Helpline

If you have any questions about this Charter, you should contact the Company Secretary (Telephone 07 3251 6442).