

# SKIN ELEMENTS LIMITED

## CORPORATE GOVERNANCE - 2 AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

### Organisation

The board of directors (**Board**) of Skin Elements Limited (**Company, Skin**) has established the Audit and Risk Management Committee (**Committee**) and approved this charter to govern the operations of the Committee.

This Charter will be reviewed by the Committee, from time to time, to ensure that it continues to reflect the letter and spirit of all applicable laws and regulations and the Company's commitment to its staff and the community.

The Committee shall review and reassess the charter at least annually.

### Purpose

The Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities, as well as advise on the modification and maintenance of the Company's financial reporting, internal control structure, risk management systems, external audit functions, and appropriate ethical standards for the management of the Company.

A further purpose of the Committee is to check the ongoing independence of the auditors. In doing so, it is the responsibility of the committee to maintain free and open communication between the Committee, external auditors and management of the Company.

In discharging its role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The Committee will also review and seek to improve the quality of financial reporting, control systems, risk management procedures and corporate governance of the Company.

However, the ultimate responsibility for the integrity of the Company's financial reporting and risk management remains with the Board.

### Membership

Committee members shall be members of, and appointed by, the Board and the Committee shall:

- comprise at least two non-executive directors that have diverse, complementary backgrounds;
- have a majority of members being independent directors;
- the Committee chair shall be an independent director of the Company, who is not the Chairperson of the Board and shall have leadership experience and strong finance, accounting and/or business background;

- all committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment;
- at least one member shall be a qualified accountant or other finance professional with experience in financial and accounting matters; and
- be structured so as to take notice of the Principles of Good Corporate Governance and Best Practise Recommendations c<sup>th</sup> Edition as established by the ASX Corporate Governance Council (**ASX Principles**), however, the Committee may be comprised as the Board consider such composition to be appropriate.

However, the composition of the Committee may vary, in particular, the Board may be comprised of less than a majority of independent directors and the Committee chair may not be an independent director, provided that the Board considers such composition to be appropriate in the circumstances.

The Secretary of the Committee shall be the Company Secretary of the Company.

### **Audit and compliance**

The Committee shall ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. However, the principal duties and responsibilities of the Committee are as follows:

#### (a) Financial Reporting

The Committee shall examine and consider any matters relating to the financial affairs of the Company and its internal and external audit that it considers necessary, including:

- review financial statements and other financial information which is distributed externally;
- monitor the procedures and processes in place to ensure compliance with accounting standards, relevant regulatory requirements and any applicable statutory requirements;
- ensure that external reporting is sufficient for shareholders' needs; and
- monitor compliance with all relevant accounting requirements.

#### (b) Financial Reporting Risk Management

- monitor and ensure an appropriate assessment process has been established and undertaken for monitoring financial reporting risk and internal controls instituted; and
- conduct an annual review of internal and external audit programs/reports to ensure that, where deficiencies in controls or procedures have been identified, appropriate remedial action is taken by management.

(c) Compliance

- consider any matters relating to the ongoing compliance of Company's activities, particularly in respect of the various applicable laws and legislation and the regulators responsible for them.

(d) Audit Functions

- annually review the nomination, performance, independence skills and cost of the external auditors;
- consider the rotation of the external audit partners. This review will generally be undertaken at the completion of the preparation of the annual financial statements and may involve discussion with the auditors and the Company's senior management;
- receive regular reports from external auditor on the critical policies and practises of the Company and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management;
- liaise with the external auditors to ensure that the annual audits and half-year audit reviews are conducted in an effective manner;
- as required, evaluate the need for and/or the performance of any internal audit function;
- at least on an annual basis, obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):
  - a) the audit firm's internal quality control procedures;
  - b) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
  - c) all relationships between the external auditor and the Company (to assess the auditor's independence).

(e) Other Matters

- meet with the executive and external auditors regularly to discuss any issues or recommendations raised in their assessment of accounting and financial and internal controls;
- examine any other matters referred to it by the Board; and
- act honestly and exercise the degree of care and diligence expected of a reasonable person.

### **Risk Management policies**

The Board and Committee take a proactive approach to risk management. The identification and proper management of risk within Skin is a priority for the Company.

The Committee is responsible for oversight of the processes whereby risks, and also opportunities, are identified on a timely basis and the Company's objectives and activities are aligned with the risks and opportunities identified and recommendations made to the Board.

This oversight includes, but is not limited to, operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related risks.

The Committee shall make recommendations to the Board on the establishment, implementation and annual review of the Company's risk management policies which are designed to meet stakeholders' reasonable expectations and manage business risks.

The Board, together with the Committee, takes responsibility for:

- (a) identifying or ensuring that management has in place a process to identify the principal risks of the Company's business and examining the Company's risk profile;
- (b) monitoring and ensuring an appropriate assessment process has been established and undertaken for monitoring corporate risk and the internal controls (including information systems) instituted;
- (c) reviewing the Company's system of internal compliance and control, risk management and risk management policies, codes of conduct and legal compliance and ensuring the integrity and effectiveness of those systems by conducting an annual internal review of the systems;
- (d) approving and monitoring internal and external financial and other reporting, including reporting to shareholders, regulatory authorities and relevant stakeholders;
- (e) annually reviewing internal and external audit programs/reports to ensure that, where deficiencies in controls or procedures have been identified, appropriate remedial action is taken by management.

The Company has sought to minimize business risks by focusing on the Company's core business. The Board and Committee are responsible for ensuring that the Company's risk management systems are adequate and operating effectively.

An annual review of the Company's risk profile is undertaken by the Committee and any material changes to the risk profile are noted. To assist the Committee to conduct the annual review, management and key executives are required to report on any material risks identified, how the risks are being managed, the implementation of any risk management or internal control system, and whether any breaches of the risk management policies have occurred during the preceding 12 months.

For future reporting periods, the Managing Director/Chief Executive Officer and Chief Financial Officer (or Company Secretary) will attest that the financial reporting risk management and associated compliance and controls have been assessed and the adequacy of the system of risk oversight, management and internal control.

### **Appointment of External Auditors**

The committee shall be directly responsible for making recommendations to the Board on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting.

In assessing which external audit firm is to be engaged, factors such as reputation, knowledge of industry, resources, commitment and value added benefits to the Company should be considered. Further, if it is deemed necessary based on a lack of actual or perceived independence, the Committee shall request for the rotation of external audit engagement partners.

The Committee, members or delegated senior member of management shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgment or independence in respect of the Company.

It would be expected that the external audit engagement partner would be rotated every three years.

### **Communication with Stakeholders**

The Committee shall review all representation letters signed by management including the declaration from the company secretary on compliance with statutory responsibilities to ensure that the information provided is complete and appropriate.

The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty. The Committee is responsible for reviewing reports on any major defalcations, frauds and thefts from the Company.

### **Meetings**

The Company Secretary is required to give Committee members reasonable notice of a meeting. Other officers of the Company or external persons may be invited to attend Committee meetings by the Chairperson of the Committee including management, members of the Board of Skin and auditor representatives. The Chairperson will call a meeting of the Committee if so requested by any Committee member, any Director or the auditors.

Proceedings of the Committee will be governed by the provisions of the Company's Constitution, in so far as it may be applicable.

A quorum for a meeting of the Committee is two members. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers or discretions vested in, or exercisable by, the Committee.

Minutes of proceedings and resolutions of Committee meetings will be kept by the Company Secretary and distributed to the Committee members after the Chair of the Committee has given preliminary approval.

The Chair of the Committee or nominated representative shall report the findings and recommendations of the Committee to the Board after each Committee meeting.

The Committee will ensure that the Board is provided with sufficient information to ensure informed decision making based on Committee reports or recommendations.

Where any Committee member has a contrary view to a Committee decision, that view is to be reported to the Board.

### **Rights in Obtaining Information from Management**

The Committee has the authority to seek any information it requires from any officer or employee of the Company and such officers or employees shall be instructed by the Board to respond to such enquiries. The Committee is authorised to take such independent professional advice, at the Company's cost, as it considers necessary.

### **Policy History**

Established: December 2015

Last review:

Review frequency: Annually or as required