



GWA GROUP LIMITED AUDIT AND RISK COMMITTEE CHARTER

1. Scope and Authority

- (a) The Audit and Risk Committee is a Committee of the Board established under Article 12.18 of the Constitution of the Company. Its role is to make recommendations to the Board concerning matters relating to its duties and responsibilities.
- (b) The purpose of the Committee is to assist the Board fulfill their corporate governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems and the internal and external audit functions of GWA Group Limited and its controlled entities. The Committee is authorised by the Board to investigate any activity within its Charter.

2. Membership

- (a) The Audit and Risk Committee shall be comprised of at least three directors who shall be non-executive directors.
- (b) The Committee Chairman shall be an independent non-executive director, but not Chairman of the Board. A majority of the Audit and Risk Committee shall be comprised of independent directors.
- (c) Due consideration will be given by the Board of Directors from time to time, to rotating members without, however, losing the continuity of experience and knowledge gained by the members of the Audit and Risk Committee.
- (d) All members of the Audit and Risk Committee shall be financially literate in accounting practices, and at least one member of the Audit and Risk Committee shall have financial and accounting qualifications and related expertise.
- (e) The Company Secretary shall be appointed Secretary of the Audit and Risk Committee. The Secretary, in conjunction with the Chairman, shall draw up an agenda which shall be circulated at least one week prior to each meeting to the members of the Audit and Risk Committee, the Managing Director, the Chief Financial Officer, the Internal Auditor and External Auditor.

3. Meetings

- (a) The Audit and Risk Committee shall meet as frequently as required and at least four times a year.
- (b) The Chairman will call a meeting of the Audit and Risk Committee, if so requested by any Committee member, the Managing Director, the Chief Financial Officer or the External Auditor. Any director, if they wish, may attend any meeting.
- (c) The Managing Director, Chief Financial Officer, Internal Auditor and External Auditor shall be given notice of all meetings and have the right to attend and speak at each meeting, subject to concurrence of the Chairman of the Audit and Risk Committee.
- (d) A quorum for a meeting shall be a minimum of two, which must include the Chairman.
- (e) The Committee shall meet separately periodically with management and the External Auditor to discuss any issues and concerns warranting Committee attention.
- (f) A notice of each meeting confirming the date, time, venue and agenda shall be forwarded to each Committee member prior to the date of the meeting.
- (g) The Committee may have access to professional advice from employees within the Group and from appropriate external advisors. The Committee may meet these external advisors without management being present.
- (h) The Chairman, or his delegate, must report to the Board following each meeting. Minutes of the Committee Meeting shall be kept by the Company Secretary and distributed to Committee members and other directors after preliminary approval has been given by the Committee Chairman.
- (i) Any action required or permitted to be taken at a meeting of the Committee may be taken without a meeting, if a written consent thereto is signed by all members of the Committee, provided that such written consent shall be filed with the minutes of the proceedings of the Committee.

4. Duties and Responsibilities

4.1 Financial Reporting

- (a) Review, assess and monitor the financial reporting process of the Company, including:
 - (i) published financial statements and notes thereto;
 - (ii) the quality and appropriateness of accounting policies and disclosures, including any issues or changes;
 - (iii) associated external reporting documents;
 - (iv) ASX pro forma;
 - (v) internal controls and adequacy of procedures established by management for areas such as the valuation of assets, intangibles, inventory, and debtors;
 - (vi) any unusual transactions and significant adjustments resulting from the audit;
 - (vii) compliance with accounting and financial reporting standards, securities exchange and legal requirements;
 - (viii) Compliance Statement signed by the Managing Director and Chief Financial Officer and divisional questionnaires signed by divisional management; and
 - (ix) the interim and final dividend recommendation from management.

4.2 External Audit

- (a) Recommend the appointment and removal of the External Auditor.
- (b) Pre-approve all audit services, and non-audit services of greater than \$5,000. Pre-approval may be given at any time by the Chairman of the Audit and Risk Committee.
- (c) Review of the Audit Engagement Letter, including External Auditor compensation.

- (d) Review and assess:
 - (i) management letters, comments and management's response;
 - (ii) external audit scope;
 - (iii) internal controls in relation to the financial reporting process;
 - (iv) external audit reports;
 - (v) external audit performance.
- (e) Review the amount and extent of non-audit services, materiality and areas of service.
- (f) Review auditor independence and assess performance annually, taking into account duration of appointments, date of partner rotation and fees paid and make necessary recommendations to the GWA Group Limited Board.
- (g) Receive and review the Auditor Independence Declaration provided by the External Auditor.

4.3 Internal Audit

- (a) Recommend the appointment and removal of the Internal Auditor.
- (b) Review and assess scope of the Internal Audit Charter:
 - (i) internal audit plans; and
 - (ii) scope of internal audit.
- (c) Review:
 - (i) internal audit reports, findings and management's response;
 - (ii) internal audit resources;
 - (iii) co-ordination between the Internal and External Auditor;
 - (iv) independence and assess performance annually; and
 - (v) staff complaints and confidential submissions regarding accounting/internal control/ethical matters.

4.4 Risk and Internal Controls

- (a) Oversee the formulation and implementation of risk management and internal control systems setting out the roles of the Board, the Audit and Risk Committee, the Executive Risk Committee, management and Internal Audit and their accountabilities.
- (b) The risk management and internal control systems shall be regularly monitored and reviewed for its effectiveness.
- (c) Oversee and monitor the Executive Risk Committee activities including:
 - (i) management of financial and operational risks which may impact on the Group;
 - (ii) assessment and monitoring of corporate policies and practices relating to risk and effective internal control; and
 - (iii) review and monitoring of policies on legislative and regulatory matters, and procedures for ensuring compliance with these requirements.

4.5 General

- (a) Review and monitor:
 - (i) related party transactions;
 - (ii) monitoring of significant litigation matters; and
 - (iii) monitoring of Group insurance cover.
- (b) Discuss and resolve problems relating to the internal and external audits, and any matters the Internal Auditor and External Auditor may wish to discuss (in the absence of management)
- (c) Undertake any duties as requested by the Board.

5. Committee Performance

- (a) The Committee shall perform a regular evaluation of its performance to determine whether it is functioning effectively by reference to current best practice.

6. Review of Charter

- (a) The Audit and Risk Committee Charter is to be regularly reviewed by the Board to ensure it remains consistent with the Board's objectives and responsibilities, and complies with the recommendations of the ASX Corporate Governance Council.

7. Publication of Charter

- (a) Key features of the Charter are to be outlined in the Annual Report to shareholders.
- (b) A copy of the Charter is available at www.gwagroup.com.au
- (c) The Charter is to be made available to shareholders of the Group upon request.