AUDIT AND RISK COMMITTEE CHARTER – CTI LOGISTICS LIMITED

Purpose

The Audit and Risk Committee is appointed by the board of directors to assist the board in fulfilling its corporate governance and oversight responsibilities including corporate reporting processes, external audit and compliance (including the code of conduct), risk management and mitigation and internal control.

Authority

The board authorises the Audit and Risk Committee, within its scope of responsibilities, to perform the activities identified within this charter.

Responsibilities

The Audit and Risk Committee will carry out the following responsibilities:

Corporate reporting

- Review the half year and annual financial statements presented by management, together with reports and opinions from the external auditor.
- Review significant accounting and reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant accounting estimates and judgements and the assessment of going concern.
- Review recent regulatory and professional pronouncements and understand their impact on the financial statements.
- Review the results of the audit with the external auditor, including significant adjustments, uncorrected misstatements and any difficulties encountered or unresolved disagreements with management.
- Review the appropriateness of disclosures in the financial statements and financial reporting to stakeholders, particularly with regards to estimates and judgements.
- Review all matters required to be communicated to the Audit and Risk Committee under Australian Auditing Standards with management and the external auditor, such as key audit matters for listed companies, significant internal control deficiencies, indications of fraud or corruption and non-compliance with laws or regulations.
- Review management representations, including the CEO and CFO declarations regarding the financial report and financial records.
- Provide a recommendation to the board whether the financial report should be approved, based on review of the financial statements, note disclosures and other information.
- Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations, and is unbiased.

- Review management's process for ensuring that information contained in analyst briefings, investor presentations and press announcements is consistent with published financial information, and is balanced and transparent.

External audit

- Assess the quality and effectiveness of the audit conducted and evaluate the performance of the auditor.
- Provide a recommendation to the board on the selection, appointment, re-appointment or replacement of the external auditor and rotation of the engagement partner.
- Review with the external auditor the scope and terms of the audit and the audit fee including a review of non-audit services provided by the external auditor.
- Review the audit plan for coverage of material risks and financial reporting requirements
- Monitor and review auditor independence and objectivity.
- Establish ongoing communications with the auditors and ensure access to directors and the Audit and Risk Committee.
- Review reports from the external auditors (including auditor's reports, closing reports and management letters).
- Discuss with the external auditors matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management response.

Internal audit

- Assess the need for the introduction of an internal audit function and assist in establishing the scope for any internal audit functions to be introduced.

Risk management, fraud and internal control

- Consider the impact of the company's culture on risk management and internal control.
- Monitor changes in the economic and business environment, including consideration of emerging trends and other factors related to the company's risk profile.
- Review the effectiveness of processes for identifying the company's risks and the appropriateness of the risk management procedures to maintain activities within the Board's risk appetite.
- Review disclosures in the annual corporate governance statement in relation to the recognition and management of business risks.
- Consider the adequacy and effectiveness of the internal control and risk management framework by reviewing reports from management and the external auditor, and by monitoring management responses and treatment strategies and actions to correct any noted deficiencies.

- Review significant circumstances and risk related issues which may materially affect the company.
- Understand the processes management has implemented for managing insurable risks and, if applicable, self-insurance, including assessing the adequacy of insurance cover.
- Review the business continuity planning process and be satisfied that material risks are identified and appropriate business continuity plans are in place.
- Enquire of management and the external auditor regarding their assessments of the risk of material misstatement in the financial report due to fraud.
- Enquire of management and the external auditor whether they are aware of any actual, suspected or alleged fraud or corruption affecting the company and how they responded to such instances.

Compliance and ethics

- Consider the impact of the company’s culture on compliance processes.
- Monitor the impact of changes in key laws, regulations, internal policies and accounting standards affecting the company’s operations.
- Review the effectiveness of the company’s systems, policies and practices that relate to compliance with laws, regulations and internal policies including in relation to the company’s continuous disclosure obligations, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Obtain regular updates from management about compliance and ethical matters that may have a material impact on the company’s financial statements, operations or reputation, including material breaches of laws, regulations, standards and company policies.
- Review and, where applicable, approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution.
- Review the company’s process for communicating the code of conduct to staff and assess the effectiveness of, and compliance with the code.
- Discuss with management whether all regulatory compliance matters of the company have been considered in the preparation of the financial statements, such as compliance with accounting standards and the requirement for the financial statements to reflect a ‘true and fair’ view.

Other responsibilities

- Perform other activities related to this charter as requested by the board.

Membership

The board will appoint Audit and Risk Committee members and the Audit and Risk Committee chair who will be an independent non-executive director and not the chair of the board. The Audit and Risk Committee will consist of at least three directors.

Composition of the committee will be reviewed annually by the board (or nominating committee if applicable) to ensure the appropriate balance of skills, knowledge and experience.

Each Audit and Risk Committee member must be financially literate. At least one member must have accounting or related financial expertise.

The company secretary of the board will be the secretary of this committee.

Meetings

The Audit and Risk Committee will meet at least four times a year or more frequently as necessary.

A quorum for a committee meeting will be a majority of committee members.

An agenda and meeting papers will be prepared and provided in advance to members, along with appropriate briefing materials.

Minutes of meetings will be prepared and circulated to Audit and Risk Committee members and all board members.

Meeting attendance by non-members

All directors may attend committee meetings, subject to exclusion as deemed appropriate by the committee chair from time to time.

The external auditor is usually invited to attend all meetings of the committee.

The committee may ask management to present at committee meetings on issues relevant to the committee's duties and responsibilities.

The committee should meet privately with the external auditor at least annually in separate sessions to discuss any matters that the committee or the external auditor believe should be discussed privately with the committee.

Reporting

The committee will report regularly to the board about Audit and Risk Committee activities and make appropriate recommendations.

Review

The committee will conduct an annual review of its performance and effectiveness. This review process will include review of the terms of this charter.