



## **AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER**

### **Overall Purpose / Objective**

The Bionomics Audit and Risk Management Committee will assist the board in fulfilling its oversight responsibilities. The audit and risk management committee will review:

- the financial reporting process;
- the system of internal control and management of risks;
- the audit process, and
- the company's process for monitoring compliance with laws and regulations.

In addition, the audit and risk management committee will review whether management is adopting systems and processes for the above matters that are sufficient for a company of Bionomics' size and stage of development.

In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the external auditors.

The audit and risk management committee will, for those matters not relating to the preparation of financial statements and the operation of the external audit, develop a timetable for review and action.

This Audit and Risk Management Committee Charter shall be placed on the Bionomics web site.

### **1. Authority**

The board authorises the audit and risk management committee, within the scope of its responsibilities, to:

- Seek any information it requires from:
  - Any employee (and all employees will be directed to co-operate with any request made by the audit and risk management committee);
  - External parties.
- Obtain outside legal or other professional advice;
- Ensure the attendance of company officers at meetings as appropriate.

## 2. Organisation

### 2.1 Membership

- The audit and risk management committee will comprise at least two members, of which at least two will be non-executive directors.
- One member of the audit committee (but not necessarily the chairman) shall have both academic and professional accounting qualifications.
- All members should be independent of management, as independence is defined in the ASX Guidelines or as otherwise determined by the Board.
- The chairman of the audit committee will be nominated by the board from time to time. Should the Chairman be absent from a meeting and no acting chairman has been appointed, the members of the committee present at the meeting have the authority to choose one of their number to be chairman for that particular meeting.
- Members will be appointed for a two-year term of office and may be reappointed for subsequent two year periods.
- A quorum for any meeting will be two members.
- The secretary of the audit committee will be the company secretary, or such other person as nominated by the board.

### 2.2 Attendance at Meetings

- The audit committee may invite such other persons to its meetings as it deems necessary.
- The external auditors should be invited to make presentations to the audit committee as appropriate.
- Meetings shall be held not less than three times a year. Special meetings may be convened as required.
- The proceedings of all meetings will be minuted.

## 3. Roles and Responsibilities

The audit and risk management committee will:

### 3.1 Risk Management

- Ascertain from management the processes or systems by which it establishes a culture of risk management, communicate the importance of the management of risk to all employees and ensure all employees have an understanding of their roles and responsibilities.
- Evaluate whether management is setting the appropriate risk management culture.

- Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.
- Gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.
- Ensure the company establishes an effective Risk Management Policy and monitor compliance.
- Ensure that management has established an effective Business Continuity Plan.

### **3.2 Financial Systems**

- Ascertain from management the processes or systems by which it establishes what are significant financial risks or exposures of the company and how it manages those risks.
- Ensure management has an effective financial reporting framework.
- Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively.
- Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Ask management and the external auditors about significant risks and exposures and the plans to minimise such risks.
- Review of accounting policies
- Review any legal matters that could significantly impact the financial statements.

### **3.3 Annual Financial Statements**

- Review the annual financial statements and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles and statutory requirements
- Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures.
- Focus on judgmental areas, for example those involving valuation of assets and liabilities and treatment of non-cash benefits to employees.
- Meet with management and the external auditors to review the financial statements and the results of the audit.

- Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with audit committee members' knowledge about the company and its operations.
- To make appropriate recommendations to the Board

### **3.4 Financial Statements and management reports**

- Be briefed on how management develops financial information; the extent of external audit involvement; and the extent to which the external auditors review such information.
- Assess the fairness of the Financial statements and disclosures and obtain explanations from management and the external auditors on such matters as whether:
  - Actual financial results for the period varied significantly from budgeted or forecasted results and prior results;
  - Generally accepted accounting principles have been consistently applied;
  - There are any actual or proposed changes in accounting financial reporting practices;
  - The company's financial and operating controls are functioning effectively.
- To make appropriate recommendations to the Board.

### **3.5 External Audit**

- Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
- Review the performance of the external auditors.
- Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the company.
- Make recommendations to the board regarding the appointment of the external auditors and their fees.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- Monitor partner and firm rotation and recommend to Board.
- Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- Ensure that management responds appropriately to recommendations by the external auditors.

- Consider audit report and recommend to Board.

### **3.6 Company Announcements**

- Ensure the Board has formulated proper processes and procedures to establish the integrity of the company's announcements and that these processes and procedures are being followed in relation to each announcement.

### **3.7 Compliance with Laws and Regulations**

- Ascertain from management the form of the processes or system by which it monitors compliance with laws and regulations affecting the company and how it decides whether to obtain advice from the company's legal counsel on these matters and when to use that advice.
- Review the effectiveness of those processes or system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- Obtain regular updates from management and company's legal counsel regarding compliance matters.
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies.
- Ascertain from management whether any issues have been brought to its attention in relation to compliance of the company with laws and regulations affecting employees (eg equal opportunity, sexual harassment).

### **3.8 Reporting Responsibilities**

- Regularly update the board about committee activities and key issues addressed and make appropriate recommendations.
- Provide to the Board at its next meeting, minutes of meetings held by the committee.
- Ensure the board is aware of matters that may significantly impact the financial condition or affairs of the business.
- Provide an annual report to the board summarising the committee's activities during the year. The report must include:
  - A summary of the committee's main authority, responsibilities and activities;
  - Member and related party dealings with the company;
  - Details of any change to the independent status of each member during the relevant period, if applicable; and

- Details of any determination by the audit committee regarding the external auditor's independence.

### **3.9 Other Responsibilities**

- Perform other oversight functions as requested by the board.
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- Review and update the charter; receive approval of changes from the board.
- Perform annual assessment of committee performance against work plan and individual performance.
- Assess the effectiveness of the company's financial management resources.