



AUDIT COMMITTEE CHARTER

The Board of Gunns Limited (*the Company*) is responsible for the management, administration and overall corporate governance of the Company, including developing strategic direction, establishing goals for management and monitoring the achievement of these goals, and the integrity of the Company's financial reporting.

The Board has established the Audit Committee (*the Committee*) to address aspects of this responsibility, specifically:-

- a. Monitoring financial and business results (including the audit process) to understand at all times the financial position of the Group
- b. Monitoring the Company's compliance with regulatory requirements and maintenance of adequate risk management processes, including reviewing and approving policies
- c. Implementing a culture of compliance with the highest legal and ethical standards and business practices.

The Committee operates in the manner and for the purposes set out in this Charter. The Board provides the Committee with the power and resources necessary to meet this Charter, including:-

- a. Rights of access to management
- b. Rights to seek explanation and additional information from both management and auditors
- c. Access to internal and external auditors without the presence of management
- d. Rights to seek advice from the Company's auditors, solicitors or such other independent advisors as to any matter within the scope of the Committee's terms of reference, as the Committee may require.

1. Composition

The composition of the Committee is determined using the following principles:-

- a. The Committee must comprise at least 3 (three) Directors and must at all times be of sufficient size and technical expertise to discharge its mandate effectively
- b. The Committee must be all non-executive Directors
- c. The Committee should comprise a majority of independent non-executive Directors
- d. The Committee is to be chaired by an independent non-executive Director
- e. The Chairman and at least one other member must have accounting qualifications or a broad financial background, and at least one member must have an understanding of the industries in which the Company operates. All members must be financially literate.

2. Role

The Committee must report to the Board on the various aspects of its responsibility, which includes the following:-

- a. Overseeing the Group's financial controls, systems reporting and disclosure processes and the outputs of that process and the preparation of financial statements and reports (including a review of the Company's financial statements to ensure they reflect a true and fair view, as a basis for recommendation to and adoption by the Board);
- b. Assisting the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices, including assessing the existing management processes supporting external reporting;
- c. Monitoring compliance with applicable accounting standards and other legal requirements relating to the preparation and presentation of financial results;
- d. Reviewing (in consultation with management, internal and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports;
- e. Reviewing financial statements for adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial results and overseeing the financial reports and the results of external audit of those reports (including assessing whether external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs);
- f. Overseeing the Company's relationship with the external auditor and the external audit function generally (including periodic evaluation of the performance and effectiveness of the external auditors, the selection of new external auditors and the periodic review of external audit engagement partners) and providing recommendations to the Board for the appointment and removal of the external auditor;
- g. Establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters;
- h. Overseeing the Company's relationship with the internal auditor and the internal audit function generally, (including conducting reviews of performance, independence, effectiveness and objectivity of the internal audit, providing recommendations to the Board for the appointment and dismissal of the internal audit senior executive);
- i. Overseeing the coordination of the internal and external audit;
- j. Evaluating and critiquing management's responsiveness to the internal auditor's finding and recommendations;
- k. Overseeing the Company's external audit policy, a copy of which is attached as Attachment 1;
- l. Reviewing, updating and recommending the annual audit plan and scope of the auditor for Board approval;

- m. Setting and overseeing the Company's policy on the provision of non-audit services and other factors relevant to maintaining audit independence; and
- n. Managing the process of identification and management of financial risk.

3. Administrative Matters

The Committee determines a schedule of meetings at the beginning of each year. Additional meetings are held as required to address specific issues. At a minimum 3 (three) meetings will be held. These will coincide with the review of annual and half year accounts, and a review of the proposed audit plan.

The Company Secretary attends meetings of the Committee as minute secretary.

The quorum is at least 2 Committee members.

The Company Auditor may be invited to attend meetings (or parts of meetings) where the Committee considers his or her involvement of assistance to the consideration of items of business before the Committee.

The Committee may invite others to attend Committee meetings (or parts of meetings) as it sees fit.

All minutes of the Committee meeting are signed by the Committee Chairman as a true and correct record of the Committee meeting, are entered into the minute book, and will be open for inspection by any Director. A report of the actions of the Committee and a copy of the minutes of the Committee meeting will be included in the papers for the next full Board meeting after each Committee meeting. The Committee Chair will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All Directors may, within the Board meeting, request information of members of the Committee.

All Directors and other attendees at Committee meetings are, as officers and/or fiduciaries, required to keep all information presented to (whether written or oral) or discussed at Committee meetings confidential.

4. Review

The Board of the Company will, on an annual basis review the membership, processes and Charter of the Committee in order to determine the adequacy of these factors for current circumstances, continuing effectiveness and efficiency. The Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

Attachment 1 - External Audit Policy

Appointment

The Audit Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:-

- the overall comprehensiveness of the external audit plan
- the timeliness and quality of communications promised under the plan and delivered during the audit
- the competency and industry knowledge of external audit staff
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the directors approve the half year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non audit services and to ensure compliance with that policy.

Rotation of External Audit Engagement Partner

The external audit engagement partner is required to rotate at least once every 5 years.