



Audit and Risk Committee Charter

Adairs Limited (Company)
ACN 147 375 451

Adopted by the Board on 23 February 2024

Committee Charter

1 Purpose of the Charter

- 1.1 The Audit & Risk Committee ("Committee") is a committee of the Adairs Limited Board ("Board").
- 1.2 This Charter sets out the role, responsibilities, composition and operation of the Committee.

2 Role

- 2.1 The primary role of the Committee is to discharge its responsibilities in Section 3 and, in the course of doing so, assist the Board to carry out the following:
 - (a) review and monitor the integrity of Adairs Limited's consolidated financial reports and statements;
 - (b) review and oversee systems of risk management, internal control and regulatory compliance;
 - (c) review the adequacy of the Company corporate reporting processes;
 - (d) oversee the process for:
 - (1) identifying significant risks facing the Company; and
 - (2) implementing appropriate and adequate control, monitoring and reporting mechanisms; and
 - (e) liaise with and monitor the performance and independence of the external auditor
 - (f) review and monitor the Company's sustainability strategy, plans, objectives and targets, particularly in the areas of health, safety, environment, climate change, community and social performance.
 - (g) monitor Adairs' culture to gauge how it is aligned with:
 - (1) conduct consistent with sound and effective risk management; and
 - (2) the reputation and brand of Adairs.
- 2.2 The Committee is responsible for reviewing and overseeing the risk management processes, internal controls and compliance systems within Adairs.
- 2.3 The Committee has authority to:
 - (a) investigate any activity within its Charter and any matters specifically requested by the Board; and
 - (b) resolve any disagreements between Management and the external auditor regarding financial reporting.

3 Responsibilities

The responsibilities of the Committee include, but are not limited to:

3.1 Corporate Reporting

- (a) Review half-yearly and yearly financial reports and statements with Management and the external auditor.
- (b) Review and make recommendations to the Board regarding significant financial, accounting and reporting issues.
- (c) Review Adairs' corporate reporting and disclosure processes and the outputs of those processes.
- (d) Review the appropriateness of the accounting policies adopted by Management in relation to the financial reports and statements.
- (e) Receive representations and attestations from the Managing Director/CEO and CFO.
- (f) Review financial statements and reports for compliance with accounting standards and policies and other requirements relating to their preparation.
- (g) Assess whether the half-year and full-year financial reports are consistent with the Committee members' information and knowledge.

3.2 External Audit

- (a) Annually consider the appointment of the external auditor and, as required, consider the procedures for the selection and appointment of the external auditor and whether an audit tender process is required. Any recommendation to change the external auditor would require Board and shareholder approval.
- (b) Review and approve the external auditor's terms of engagement and fees at the start of each audit.
- (c) Consider and review the scope of work, reports and activities of the external auditor.
- (d) Review the findings of the audit with the external auditor, and monitor Management's response to reviews and recommendations of the external auditor.
- (e) Establish and review policies as appropriate in relation to the independence of the external auditor.
- (f) Assess the independence of the external auditor based on the information received from the external auditor and Management. In assessing independence, the Committee considers:
 - (1) the employment of former employees of the external auditor;
 - (2) policies on the supply of non-audit services by the external auditor;
 - (3) the fees for audit and non-audit services provided by the external auditor on a regular basis;
 - (4) the rotation of audit partners;
 - (5) the external auditor's own statement on independence; and

- (6) any other information from the external auditor setting out its relationships that may affect its independence.
- (g) Review the effectiveness of the annual audit and the performance of the external auditors taking into account the opinions of Management.

3.3 Risk Management and Internal Control

The Committee will oversee and assist the Board in reviewing the emerging and principal risks facing Adairs, including financial and non-financial risks that could threaten the Group's business model, future performance, solvency, liquidity or reputation. This includes business risk, financial reporting risk, insurance risk, tax risk, technology security and cyber risk, climate risk, and legal and ethical compliance programs.

Risk framework and appetite

- (a) at least annually reviewing the Company's risk management framework, which includes both financial and non-financial risks such as environmental and social risks, to satisfy itself that the framework continues to be sound;
- (b) at least annually, reviewing Management's performance against the Company's risk management framework, (which includes new and emerging risks) and whether the Company is operating within the risk appetite set by the Board;
- (c) assessing and monitoring (i) procedures for identifying strategic and business risks and controlling their financial impact on the group and appropriate risk management and (ii) internal control systems to ensure that risk is reduced to (or managed within) the risk appetite set by the Board;
- (d) initiating and monitoring special investigations into areas of corporate risk and break-downs in internal control;

Policy review and reporting

- (e) assessing and monitoring the adequacy of Adairs' policies relating to financial reporting and controls, including compliance with laws, accounting standards, regulations and ethical guidelines;
- (f) reviewing reports outlining material incidents reported under Adairs' Whistleblower Policy and Anti-bribery and Corruption Policy and evaluating exposure to fraud including by reviewing further reports from management on any defalcations, frauds, thefts or losses, and the action taken by Management to prevent any recurrence;
- (g) monitoring compliance with Adairs' internal policies and procedures (including the Code of Conduct, Anti-bribery and Corruption Policy and Securities Trading Policy), overseeing an investigation into allegations of any breach of such policies and procedures and reviewing and recommending changes to the Board, where necessary; and
- (h) reviewing and monitoring the propriety of any related party transactions and considering the adequacy of disclosure of those transactions in the Company's financial statements.

Audit findings

- (i) reviewing internal and external audit findings to ensure that any reported major deficiencies or weaknesses in controls have been identified, and appropriate and timely corrective action is taken by Management.

Finance

- (j) reviewing the prudence of gearing levels, interest cover and compliance with banking covenants;
- (k) reviewing and evaluating all material capital management financing and treasury risk management proposals and making recommendations to the Board;
- (l) reviewing and making recommendations to the Board on taxation matters, including tax governance and risk management relating to the Company and the group;
- (m) reviewing the nature and level of the group's insurance coverage, having regard to the group's business and the insurable risks associated with the business, and recommending changes where necessary.

Technology

Reviewing and making recommendations to the Board in relation to the overall technology risk profile of the Group including, but not limited to:

- (n) monitoring the framework for identifying, mitigating and managing the Company's cyber resilience risk and considering the effectiveness of its cyber resilience risk control systems;
- (o) assessing and monitoring the controls the Company employs in its use of artificial intelligence to ensure such systems are used responsibly and ethically, avoiding any actions that could harm others, violate applicable laws and regulations, or facilitate malicious activities;
- (p) reviewing the effectiveness of disaster recovery plans and disaster recovery testing and reporting to the Board on the effectiveness of these plans and testing.

Sustainability

Reviewing and making recommendations to the Board in relation to the overall sustainability risk profile of the Group including, but not limited to:

- (q) assessing and monitoring policies, practices, and disclosures with respect to sustainability risks and opportunities (including climate-related and human rights matters), to ensure that these conform with the risk appetite set by the Board;
- (r) reviewing and monitoring progress towards the Company's publicly disclosed sustainability commitments, goals and targets;
- (s) reviewing and recommending to the Board material public disclosures made under mandatory external sustainability reporting standards;
- (t) reviewing and recommending to the Board for approval the Company's ASX Corporate Governance Statement, the Sustainability Report (or equivalent), the Company's Modern Slavery Statement, and the published Codes and Policies.

4 Relationship with the external auditor

The Committee provides a link between the external auditor and the Board. It has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement.

The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Attachment 2.

5 Relationship with the internal auditor

The Committee provides a link between the head of internal audit and the Board and has the responsibility and authority to appoint the head of internal audit. The head of internal audit has a direct reporting line to the Chair of the Committee and, therefore, to the Board.

The Committee will develop systems for evaluating and improving the effectiveness of the Company's risk management and internal control processes.

The Committee has the responsibility of:

- (a) reviewing the internal auditor's objectives, competence and resourcing, including the role of IT systems, exception reporting, stock takes, data analytics and other processes in creating an appropriate control environment;
- (b) ensuring an appropriate program of internal audit activity is conducted each financial year;
- (c) reviewing and monitoring the progress of an internal audit and work program (without the presence of management); and
- (d) evaluating and critiquing management's responsiveness to the internal auditor's recommendations.

6 Review

The Board will review the Committee's membership and charter at least once each year to determine their adequacy for current circumstances. The Committee may make recommendations to the Board regarding the Committee's membership, responsibilities, functions, or otherwise.

Attachment 1

Administrative matters and procedures

Membership

The members of the committee and Committee Chair are appointed by the Board.

The Committee will consist of:

- only Non-executive Directors;
- a majority of independent Directors;
- an independent Chair, who is not Chairman of the Board; and
- a minimum of 3 members of the Board.

The Board may appoint additional Directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Non-committee members, including members of management and the external auditor, may attend meetings of the Committee at the invitation of the Committee Chair.

It is intended that the members of the Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee's responsibilities effectively.

The Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

The Committee may ask all members of management (including the Company Secretary) to leave the meeting to facilitate discussions of the Committee.

Meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet quarterly.

Quorum

A quorum shall be any 2 members or any greater number determined by the Board.

Convening and notice of meeting

Any member may convene a meeting of the committee, and the Company Secretary must convene a meeting upon request from any member. Notice of every meeting will be given to each member of the Committee. However, there is no minimum notice period, and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

Rights of access and authority

The Committee will have unrestricted access to management and rights to seek explanations and additional information from management. The Committee will also have unrestricted access to the external auditor (with or without the presence of management, at the Committee's discretion).

The Committee has authority to conduct or direct investigations into any matters within its Charter. The Committee is entitled to obtain external, independent legal or professional advice as considered necessary or desirable by the Committee to assist it in any investigation or to carry out its duties. As appropriate, the Committee will inform the Chair of the Board, the CEO, the CFO and the Company Secretary of its decision to authorise such an investigation or obtain such external advice.

Minutes

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee Chair, be presented at the next Board meeting.

All minutes of the Committee must be entered into a minute book maintained for that purpose and be always open for inspection by any Director.

Reporting

It is intended that a report of the actions of the Committee and a copy of the minutes of the Committee meeting or both will be included in the Board papers for the Board meeting next following a meeting of the Committee.

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.

Attachment 2

External Audit Policy

Appointment

The Audit and Risk 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 and efficiency 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; and
- 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 generally required to rotate at least once every 5 years. If appropriate, the Board may, following a recommendation from the Committee, extend the eligibility term of the audit engagement partner in accordance with the Corporations Act.