

## EVOLVE EDUCATION GROUP LIMITED – AUDIT AND RISK COMMITTEE CHARTER

This charter (**Charter**) was approved by the Board of Directors (**Board**) of Evolve Education Group Limited (**Company**) on 13 November 2014.

### 1. Objective

1.1 The Audit and Risk Committee (the **Committee**) is appointed by the Board of the Company to assist the Board in discharging its oversight responsibilities. The Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial statements.

1.2 The objectives of the Audit and Risk Committee are to assist the Board in fulfilling its responsibilities relating to risk management and internal control, financial reporting, legislative and NZX and ASX Listing Rule compliance, internal policies and industry standards, the external and internal audit functions, tax management, treasury management, and includes, among other things:

- (a) promoting a culture of compliance;
- (b) providing a forum for communication between the Board and the Company's senior management (**Senior Management**) in relation to audit and compliance matters affecting the Company; and
- (c) reviewing and commenting on Senior Management's plans for managing the material financial and reporting risks faced by the Company.

1.3 The Committee will also review the following:

- (a) the effectiveness of the Company's internal control and risk management system;
- (b) the integrity and effectiveness of the internal and external audit functions;
- (c) the integrity and effectiveness of the financial management processes and systems;
- (d) the independent audit process, including recommending the appointment and assessing the performance of the external auditor;
- (e) the Company's process for monitoring compliance with laws, regulations, the NZX and ASX Listing Rules, internal standards (including the code of business conduct), policies and expectations of key stakeholders, including customers and employees;
- (f) the relationship and interaction with institutional investors and other shareholders; and
- (g) in performing its duties, the Committee will maintain effective working relationships with the Board, management, and external and internal auditors. To perform their role effectively, each Committee member must

develop and maintain their skills and knowledge, including an understanding of the Committee's responsibilities and of the Company's business, operations and risks.

## 2. **Authority**

2.1 The Board authorises the Committee, within the scope of its role and responsibilities, to:

- (a) perform its activities in accordance with this Charter (having regard to the Risk Management Policy);
- (b) have unrestricted access to members of management, employees and relevant information;
- (c) discuss any matters with the internal auditor, external auditor, or other external parties (subject to confidentiality considerations);
- (d) request the attendance of any employee, including the Company's Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**) at Committee meetings as appropriate;
- (e) obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Company's expense;
- (f) establish procedures for dealing with concerns of employees regarding accounting, internal controls or auditing matters;
- (g) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- (h) be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor; and
- (i) approve all audit engagement fees and terms, as well as reviewing policies for the provision of non-audit services by the external auditor (including the framework for pre-approval of any such services).

## 3. **Composition and Tenure**

3.1 The Board will nominate the Committee members and the Chair of the Committee.

3.2 The Committee will consist of at least 3 members, all of whom will be non-executive Directors, and a majority of whom must be Independent Directors. The Chair of the Committee must be an Independent Director, who is not the chair of the Board.

- 3.3 The CEO and the CFO will not be members of the Committee but are invited to attend all meetings of the Committee. The other Directors will not be members of the Committee, but may attend meetings.
- 3.4 Each member of the Committee should have the skills and experience appropriate to the Company's business. At least 1 member must have accounting or related financial expertise.
- 3.5 The secretary of the Committee will be appointed by the Board (**Secretary**).

#### 4. **Meetings**

- 4.1 A quorum of any meeting will consist of a majority of Committee members, meaning at least half of the total number of Committee members must be present at the meeting.
- 4.2 All Board members are entitled to attend meetings. The Committee may invite other people (such as the CEO, CFO and external audit engagement partner) to attend meetings as the Committee considers necessary.
- 4.3 External and internal auditors should be invited to make presentations to the Committee as appropriate.
- 4.4 Meetings will be held at least 4 times a year, and should correspond with the Company's financial reporting cycle. Special meetings may be convened as required. The Secretary will convene a meeting on request by the external or internal auditor.
- 4.5 The Secretary will circulate the agenda and supporting documents to Committee members within a reasonable time before each meeting. The secretary will also circulate the minutes of meetings to the Board, members of the Committee, and the external auditor where appropriate.
- 4.6 As a minimum, the Chair of the Committee (or other Committee member) will attend the Board meeting at which the financial statements are approved.
- 4.7 Members of the Committee are expected to attend every meeting of the Committee.
- 4.8 The Committee should meet regularly with external legal counsel if considered necessary.
- 4.9 The Committee will meet with the external auditor at least once a year without management present.
- 4.10 Meetings can be held in person, by telephone, or by video conference.

#### 5. **Role and Responsibilities**

- 5.1 The Audit and Risk Committee does not remove from the full Board any of its responsibilities and legal obligations. Rather it is a committee established to

assist the Board in the conduct of its responsibilities and will report back to the full Board on all material matters and issues requiring decisions in principle.

- 5.2 The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities.

#### Risk Management and Internal Control

- 5.3 The Committee's responsibilities are to:

- (a) evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and management of risk;
- (b) ensure that management has appropriate processes for identifying, assessing and responding to risks in a manner that is in accordance with the organisation's risk appetite, and that those processes are operating effectively;
- (c) understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data;
- (d) understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review;
- (e) evaluate the overall effectiveness of the internal control and risk management frameworks, including the risk of fraud, and consider whether management has implemented recommendations made by internal and external auditors;
- (f) review and/or evaluate (1) the effectiveness of the Company's risk management and internal control processes; and (2) the Company's risk management plan framework at least annually, and see that the Company discloses in relation to each reporting period whether such a review has taken place, as well as any insights gained and any changes made to the risk management framework as a result;
- (g) see that the Company discloses whether, and if so how, it has regard to, and manages, economic, environmental and social sustainability risks; and
- (h) 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 system breakdown or to protect against computer fraud or misuse.

#### Financial reporting

- 5.4 The Committee's responsibilities are to:

- (a) gain an understanding of the current areas of greatest financial risk and how these are being managed;
- (b) review significant accounting and reporting issues, including recent professional and regulatory announcements, and understand their impact on financial reports;
- (c) oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements and preliminary announcements before their release;
- (d) review management's process for ensuring that information contained in analyst briefings and press announcements is consistent with published financial information, and is balanced and transparent, particularly regarding GAAP vs. non-GAAP data;
- (e) meet with management and the external auditor to review financial statements, key accounting policies and decisions, related party transactions and the results of the audit;
- (f) ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with external auditors;
- (g) assess the appropriateness of any significant accounting estimates, judgements or choices in the financial reports of the Company;
- (h) request and consider a written statement, signed by the CEO and the CFO, that in their opinion the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and performance and comply in all material respects with relevant accounting standards. The statement will also confirm that the Company's financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks; and
- (i) review the other sections of the annual report before its release and consider whether the information is understandable and consistent with Committee members' knowledge about the Company and its operations, and lacks bias.

## Legislative and NZX and ASX compliance, internal policies and industry standards

### 5.5 The Committee's responsibilities are to:

- (a) review the effectiveness of the system for monitoring the Company's compliance with relevant laws, regulations, NZX Listing Rules, ASX Listing Rules, NZX and ASX Policies and Guidelines, internal policies and industry standards, and the results of any management investigations or follow-ups (including disciplinary action) or fraudulent acts or non-compliance;
- (b) obtain regular updates from management about compliance matters that may have a material impact on the Company's financial statements, strategy, operations or reputation;
- (c) be satisfied that all regulatory compliance matters related to the business of the Company have been considered in the preparation of the financial statements;
- (d) review the findings of any examinations by regulators;
- (e) approve and review policies, processes and frameworks for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution; and
- (f) reviewing the Company's financial risk management procedures to assist the Company to comply with its legal obligations, including to assist the CEO or CFO to provide declarations in relation to each of the Company's financial reports required by Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations (3rd edition).

## External audit

### 5.6 The Committee's responsibilities are to:

- (a) review the professional qualification of the external auditor and ensure the external auditor and audit partner hold current auditor licences with the Financial Markets Authority (including background and experience of partner and auditing personnel);
- (b) consider the independence of the external auditor and any potential conflicts of interest;
- (c) review on an annual basis the performance of the external auditor and make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditor, including ensuring that the audit partner is changed at least every five years;
- (d) review the external auditor's proposed audit scope and approach for the current year in light of the Company's circumstances and changes in regulatory and other requirements;

- (e) discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information;
- (f) ensure that significant findings and recommendations made by the external auditor and management's proposed response are received, discussed and acted on appropriately;
- (g) discuss with the external auditor the appropriateness of the accounting policies applied in the Company's financial reports and whether they are considered to be aggressive, balanced or conservative;
- (h) meet separately with the external auditor at least once a year to discuss any matters that the Committee or auditor believes should be discussed privately;
- (i) ensure that the external auditor has access to the Chair of the Committee when required;
- (j) review policies for the provision of non-audit services by the external auditor and, where applicable, the framework for pre-approval of audit and non-audit services;
- (k) require that the external auditor attends the annual general meeting of the Company and is available to answer questions from shareholders of the Company relevant to the audit; and
- (l) ensure the Company has appropriate policies for hiring audit firm personnel for senior positions.

#### Internal Audit

5.7 The Committee's responsibilities are to:

- (a) review the activities, resources and organisational structure of the internal audit function and ensure there are no unjustified restrictions or limitations;
- (b) review the effectiveness of the internal audit function and ensure it has appropriate standing within the Company;
- (c)
- (d) ensure that significant findings and recommendations made by the internal audits and management's proposed response are received, discussed and appropriately acted on; and
- (e) review the proposed internal audit plan for the coming year and ensure that it addresses key areas of risk and that there is appropriate co-ordination with the external auditor.

## Tax management

5.8 The Committee's responsibilities are to:

- (a) ensure management has in place and is implementing an effective tax strategy, which consists of a tax policy and tax management plan;
- (b) ensure that the Company pays the correct amount of tax within the framework of prudent tax management;
- (c) ensure that the Company has in place and operates systems to ensure it meets all tax compliance responsibilities, and observes all applicable laws and regulations;
- (d) ensure that the Company accurately reports tax matters and their impact within the financial statements and internal management reports of the Company;
- (e) ensure that the legal structure of the Company and its related entities are optimal and efficient from a tax perspective; and
- (f) confirm any material tax matters, issues, questions or concerns with external advisers or government representatives as required.

## Treasury Management

5.9 The Committee's responsibilities are to:

- (a) ensure that management has in place and is implementing an effective treasury management policy that effectively minimises and manages treasury risk;
- (b) ensure that the Company is operating within its banking covenants, and manages and monitors any exceptions (and the applicable consenting process with the banks); and
- (c) ensure that the Company has in place systems to regularly monitor, manage and report on all material treasury aspects to the Committee.

## **6. Reporting**

6.1 The Committee will regularly update the Board on its operation and activities during the year and make appropriate recommendations. The Committee will ensure the Board is aware of matters that may significantly affect the financial condition or affairs of the Company.

6.2 The Committee will prepare any reports required by law or regulations, the NZX Listing Rules, the ASX Listing Rules or requested by the Board, such as a report on the Committee's activities and duties to be included in the section on corporate governance in the annual report.



## **7. Administrative arrangements**

### Conflicts of interest

- 7.1 Once a year, Committee members will provide written declarations to the Chair of the Board stating that they do not have any conflicts of interest that would preclude them from being members of the Committee.
- 7.2 Committee members must in addition declare any conflicts of interest at the start of each Committee meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately recorded in the minutes.
- 7.3 Where any member is deemed to have a real, or perceived, conflict of interest at a Committee meeting, it may be appropriate that they are excused from Committee deliberations on the issue where the conflict of interest exists.

### Induction

- 7.4 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

### Assessment Arrangements

- 7.5 The Committee will evaluate its own performance and that of individual members and collectively, on a regular basis. The assessment will focus on the achievement of the duties set out in this Charter, and the Committee will report the findings to the Board.

### Review of Charter

- 7.6 At least once a year, the Committee will review its performance against this Charter, as well as the appropriateness of the Charter itself. This review will include consultation with the Board.
- 7.7 Any substantive changes to the Charter will be recommended by the Committee and formally approved by the Board.

Last Updated 13 November 2014

## APPENDIX 1

### EVOLVE EDUCATION GROUP LIMITED AUDIT AND RISK COMMITTEE

#### Annual Work Plan

*Note: To be discussed and agreed by the Audit and Risk Committee.*

1. Half-Year
  - (a) Half-year accounting issues and risks
  - (b) Half-year accounts and supporting schedules
  - (c) Banking covenants
  - (d) Areas of judgement
  - (e) Legal and regulatory review
  - (f) Non-audit fees
  - (g) Management and Directors representation letter
  - (h) Internal Audit
  - (i) External audit plan and budget
  - (j) External auditor's reports
2. Full-Year
  - (a) Full-year accounting issues and risks
  - (b) Full-year financial statements and supporting schedules
  - (c) Banking covenants
  - (d) Areas of judgement
  - (e) Legal and regulatory review
  - (f) Non-audit fees
  - (g) Management and Directors' representation letter
  - (h) Internal Audit
  - (i) External audit report and opinion

3. Other

- (a) Insurance renewal
- (b) Treasury review
- (c) Committee Performance review
- (d) Board Policy and Charter updates
- (e) Business Risk & Continuity Review