



## AUDIT AND RISK COMMITTEE CHARTER

### 1 ROLE OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is an assurance and compliance committee established to assist the Board to oversee its financial and compliance obligations.

### 2 OBJECTIVES

The Audit and Risk Committee is a committee of the Board of Directors established to provide assurance to the Board that the Company is properly meeting its obligations in relation to:

- (a) the quality of financial information presented to the Board and to shareholders;
- (b) the effectiveness and integrity of the Company's internal control environment;
- (c) the adequacy of the Company's risk management processes;
- (d) the integrity of the Company's information systems; and
- (e) the effectiveness of compliance with relevant legal and regulatory requirements and the Rio Tinto standards and voluntary codes adopted by the Company.

To achieve these objectives the Audit and Risk Committee will:

#### *Financial reporting*

- (a) review the draft interim and preliminary final reports prior to approval by the Board and submission to the Australian Securities Exchange, with particular regard to:
  - (i) significant changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant audit adjustments; and
  - (iv) any non-compliance with accounting standards;
- (b) review accounting policies and procedures and ensure that they are appropriate to the Company and in accordance with generally accepted and industry practice;



- (c) monitor compliance with statutory and Australian Securities Exchange requirements for financial reporting;
- (d) review industry and accounting standard developments and the response of Management to proposed standards;
- (e) review the carrying values of assets to ensure compliance with accounting standards and the Corporations Act;
- (f) provide input into the preparation of the Annual Report;

*External auditor*

- (g) review with the external auditor the scope of the audit and subsequently the audit findings, including any internal control recommendations;
- (h) monitor the effectiveness of the external auditor and the responsiveness of Management to its findings and recommendations;
- (i) periodically meet with the external auditor, independently of Management, to discuss the quality of the Company's accounting principles, material judgments and any other matters that the Audit and Risk Committee or external auditor deems appropriate;
- (j) periodically review the performance of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- (k) agree the terms of engagement and approve the fees and other remuneration paid to the external auditor for audit services;
- (l) ensure that the external auditor submits a written statement outlining all of its professional relationships with the Company including the provision of non-audit services that may affect their objectivity or independence;
- (m) review with the external auditor all significant relationships it has with the Company and assess its objectivity and independence;

*Internal auditor*

- (n) consider the need and, if seen fit, make arrangements for an internal audit function;
- (o) review and approve the scope of the Company's annual internal audit programme;
- (p) monitor the findings of the internal auditor and the responsiveness of Management to the findings and recommendations;



- (q) meet with the Company's internal auditor, independently of Management, at least annually to discuss any significant difficulties encountered, including any restrictions on the scope of work, access to required information or any other matters;

#### *Internal controls*

- (r) review the adequacy of Management's information systems and ensure that the Board receives reliable and timely management information in an appropriate form;
- (s) review the effectiveness of the "control environment" established by Management;
- (t) review Management's responses on the Internal Control Questionnaire before it is provided to the Board for final review and sign off;
- (u) ensure any necessary actions identified by the responses to the Internal Control Questionnaire are initiated;

#### *Risk Management*

- (v) regularly review the maturity and effectiveness of Company processes designed to identify, assess, monitor and manage risk;

#### *Other*

- (w) review and monitor the adequacy of the Company's compliance program;
- (x) review significant transactions outside the entity's normal business activities; and
- (y) initiate special projects or investigations on any matter within its terms of reference.

The Audit and Risk Committee is empowered to examine any matter in relation to its objectives as it sees fit.

### **3 MEMBERSHIP OF THE AUDIT AND RISK COMMITTEE**

Membership of the Audit and Risk Committee will be determined by the Board and consist of:

- (a) a minimum of three (3) and a maximum of five (5) persons to be appointed from time to time by the Board;
- (b) exclusively non-executive Directors; and
- (c) a majority of independent Directors.

A majority of members must be present at meetings to provide a quorum. Collectively, Audit and Risk Committee members should possess a knowledge of the



Company's activities, the environment in which the Company operates, internal control, corporate governance and business risk management principles, and financial and operational reporting.

## **4 CONDUCT OF COMMITTEE MEETINGS**

### **4.1 Chair**

The Audit and Risk Committee Chairperson will be:

- (i) an independent director who is not Chair of the Board; and
- (ii) appointed by the Board.

### **4.2 Secretarial**

The Company Secretary, in conjunction with the Chairperson, will be responsible for drawing up the agenda and circulating the agenda supported by explanatory documents to the Audit and Risk Committee prior to each meeting.

The Company Secretary will also be responsible for recording the minutes of meetings of the Audit and Risk Committee and circulating them to the Audit and Risk Committee members, the Board members, the Chief Executive and external and internal auditors as appropriate.

### **4.3 Attendance**

Audit and Risk Committee members may not substitute a representative to attend on their behalf. Other directors who wish to attend an Audit and Risk Committee meeting should provide prior notification to the Chairperson.

The Chief Executive and Chief Financial Officer may be invited to attend Audit and Risk Committee meetings. Other executives may be requested to attend Audit and Risk Committee meetings to discuss or report on particular agenda items.

The external and/or internal auditors may be invited to attend meetings of the Audit and Risk Committee.

### **4.4 Frequency of Meetings**

The Audit and Risk Committee will hold at least three (3) meetings each year and such additional meetings as determined by the Audit and Risk Committee to fulfil its duties.

### **4.5 Engagement of External Resources**

The Audit and Risk Committee has the power to engage external consultants as necessary for the purposes of meeting its objectives.



#### **4.6 Access**

The Audit and Risk Committee shall have unlimited access to all Company sites, documents, reports, records and personnel in pursuit of its objectives. Enquiries shall be directed to the Chief Executive or Company Secretary.

### **5 REPORTING REQUIREMENTS**

The Chairperson of the Audit and Risk Committee shall:

- (a) report to the Board of Directors on the matters discussed during each meeting; and
- (b) bring particular matters to the attention of the Board and make recommendations and/or express opinions as appropriate.

### **6 REVIEW**

The Audit and Risk Committee will regularly review its Charter.

*Ends.*