



Audit & Risk Committee Charter

Silk Logistics Holdings Limited

ACN 165 867 372

Version 2.0
21 June 2023

Document History

Version	Summary of Amendments	Approved by	Approval date
1.0	New Board of Directors Charter	Board of Directors	22 March 2021
2.0	Biennial Review of the Charter	Board of Directors	21 June 2023

Other Policy Details

Key Information	Details
Approval Body	Silk Logistics Holdings Limited Board of Directors
Key Stakeholders	Silk Logistics Holdings Limited Board of Directors Silk Logistics Holdings Limited Senior Management
Responsibility for Implementation	Chief Executive Officer
Policy Custodian	Company Secretary
Next Review Date	June 2025
Reference Policies	Risk Management Policy

Legislative and Regulatory Framework

Authority	Law, Resolution or Regulation
ASX Corporate Governance Council	ASX Corporate Governance Principles and Recommendation (2019) ("ASX Principles")
Australian Government	Corporations Act 2001 (Cth) ("Corporations Act")

1. Introduction

- 1.1 The Audit & Risk Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of Silk Logistics Holdings Limited (the “**Company**”).
- 1.2 The Committee will also undertake the role of the Audit and Risk committee for the board of each subsidiary of the Company (“**Subsidiary**”) where required. In making decisions in relation to a Subsidiary, the Committee is acting as a committee of the board of that Subsidiary.
- 1.3 The Committee will assist the Board to fulfil its oversight responsibilities in respect of financial reporting, risk management, compliance and associated internal controls. The Committee will review the financial reporting process, the system of internal control and management of financial risks, and the process and coverage of internal and external audit together with business risks including strategic risk, operation and regulatory risk and compliance with applicable laws, regulations and Company policies.

2. Membership

- 2.1 It is intended that the Committee consist of:
 - a) at least **three** Directors (only non- Executive Directors); and
 - b) majority of Independent Directors; and
 - c) to be chaired by an Independent Non-Executive Director.
- 2.2 It is intended that 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.
- 2.3 The Board may appoint additional Directors to the Committee, or remove or replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.
- 2.4 Directors who are non-committee members may attend all or part of a meeting, subject to no conflict of interest on the matters being discussed .
- 2.5 The role of the Chair of the Committee is to:
 - a) determine the agenda for meetings of the Committee in conjunction with the Secretary of the Committee;
 - b) chair meetings of the Committee and take reasonable steps for the proper functioning of the Committee, including the proper conduct of meetings and an appropriate level of discussion;
 - c) ensure adequate flow of relevant information to the Committee;
 - d) advise the Board on the Committee’s recommendations to the Board on matters falling within the scope of the Committee’s responsibilities;
 - e) review the minutes of meetings of the Committee for circulation to and approval of the Committee, and sign the approved minutes;
 - f) ensure Committees’ action items are reviewed regularly and satisfactorily resolved in a timely manner; and

- g) act under a delegation of the Committee, including liaising on behalf of the Committee with consultants advising the Committee.
- 2.6 The Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

3. Role and Responsibilities

- 3.1 The Committee's key responsibilities and functions are to:
- a) oversee the Company's relationship with the external auditor and the external audit function generally;
 - b) oversee the Company's relationship with the internal auditor and the internal audit function generally;
 - c) oversee the preparation of the financial statements and reports;
 - d) oversee the Company's tax compliance management;
 - e) review of quarterly forecasts and annual budgets;
 - f) oversee the Company's financial controls and systems;
 - g) oversight of the Company's financing facilities and compliance with bank covenants; and
 - h) manage the process of identification of risk and the management of risk strategies.
- 3.2 The Committee's primary roles with respect of the audit function are:
- a) to assist the Board in relation to the reporting of financial information;
 - b) the appropriate application and amendment of accounting policies;
 - c) make recommendations to the Board in relation to the appointment, independence and remuneration of the external auditor; and
 - d) to provide a link between the external auditors, the Board and management of the Company.
- 3.3 The following are intended to form part of the normal procedure for the Committee's audit and governance responsibilities:

Financial Reporting

- a) review the Company's financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes;
- b) review the Company's financial statements for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise a true and fair view of, the financial position and performance of the Company, as a basis for recommendation to and adoption by the Board;
- c) receive and review reports of the external audit of the Company's financial statements;

- d) review and make recommendations to the Board in relation to quarterly forecasts and annual budgets for Board approval;
- e) before the Board approves the Company's financial statements, review the declarations made by the Chief Executive Officer and Chief Financial Officer in relation to the Company's financial statements, financial records and systems; and
- f) develop and assist the Board in the implementation of the Company's process for verifying the integrity of each periodic report it releases to the market that has not been audited or reviewed by an external auditor;

Accounting Policies and Internal Procedures

- g) review and make recommendations to the Board in relation to the appropriateness of the accounting policies, judgements and choices adopted by management in preparing the Company's financial reports; and
- h) ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management;

External Audit

- i) make recommendations to the Board in relation to the appointment and removal external auditors, including the procedures for selection, the rotation of external audit engagement partners, the compensation (for audit and non-audit work), and the terms of engagement;
- j) review and make recommendations to the Board in relation to the scope and adequacy of the external audit for Board approval;
- k) review the performance, independence, and objectivity of the external auditors;
- l) provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation as to why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the Corporations Act 2001 (Cth) to be included in the Company's annual statement;

Internal Audit

- m) review the scope, results and effectiveness of the internal audit programs and the performance and objectivity of the internal audit function (if applicable), including whether the internal auditors are adequately resourced and coordinated with the external auditor;
- n) monitor the independence of the internal audit programs (if any) from the external auditors and management.
- o) review the outcomes and approve the internal audit program (if any);
- p) review and approve the appointment and dismissal of the senior internal audit executive and ensure the senior internal audit executive is suitably qualified (if relevant);

3.4 The following are intended to form part of the normal procedure for the Committee's risk responsibility:

Risk Strategy - Risk Management Framework & Risk Appetite

- a) review and make recommendation to the Board, at least annually, the Company's risk management framework and the risk appetite to satisfy that it continues to be sound and effectively identifies all areas of current, emerging and potential risk such that the Company is operating;
- b) monitor and report to the Board the management's performance against the Company's risk framework for identifying, evaluating, managing, mitigating and reporting risks including whether the Company is operating within the Company's risk appetite set by the Board;

Identify and Mitigate Risks

- c) review reports from management that identify, evaluate, manage or mitigate material risks that may affect the Company's operations including any new and emerging sources of risk;
- d) receive risk reports from management at each meeting outlining significant risks, mitigations and actions together with recommending quarterly risk reports to the Board;
- e) review and report to the Board that proper remedial action is undertaken to redress areas of weakness;
- f) receive reports from internal audit in relation to its regular program of audits undertaken to test the adequacy of and compliance with prescribed policies for managing risk; and
- g) receive reports from management concerning the extent and adequacy of the Company and its Subsidiary's annual insurance program, as well as recommend insured and un-insured risk parameters
- h) evaluating the structure and adequacy of the Group's Business Continuity Plans;

Risk Reporting

- i) review the Company's economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks;
- j) reviewing and making recommendations to the Board in relation to the risk disclosures in the Company's operating and financial review in its annual report;

Oversee Risk Management

- k) overseeing the establishment and maintenance of processes so that there is:
 - i. an adequate system of internal control, management of business risks and safeguard of assets; and
 - ii. a review of internal control systems and the operational effectiveness of the procedures related to risk and control;
- l) evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance and making recommendations to the Board in relation to any incident involving fraud or other break down of the Company's internal controls; ; ; ; .

4. Relationship with External Auditor

- 4.1 The Committee provides a link between the external auditor and the relevant board and has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement.
- 4.2 The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Annexure 2.

5. Relationship with Internal Auditor (if applicable)

- 5.1 The Committee provides a link between the internal audit function and the Board. The internal auditor has a direct reporting line to the Committee and, ultimately, to the Board.

6. Rights of Access and Authority

- 6.1 The Committee has rights of access to employees, management, regulatory authorities and auditors (internal and external) without management present, and the right to seek explanations and additional information from employees, management, regulatory authorities and auditors.
- 6.2 Whilst the internal audit function reports functionally to Senior Management, it is acknowledged that the internal auditor reports directly to the Committee and ultimately to the Board.
- 6.3 The Committee, if necessary, instigates special investigations and, if appropriate, hires appropriate personnel to assist in providing any information it sees relevant to the execution of its activities.

7. Disclosure

- 7.1 The Board will make available
 - a) the Audit and Risk Committee Charter;
 - b) the relevant qualifications and experience of the members of the Committee;
- 7.2 The Board will make available at the end of each reporting period;
 - a) the number of times the Committee met throughout that year and the individual attendances of the members at those meetings; and
 - b) whether the Committee has undertaken a review of the Company's risk management framework as set out at clause 3.5 of this Charter.
- 7.3 In relation to any periodic reports the Company releases to the market the Board will ensure the processes described in clause 3.3 (r) are disclosed either in the report itself or more

generally in the Company's corporate governance disclosures of its annual report or on the Company's website.

8. Review

- 8.1 The Board will, at least once every two years, review the performance, membership and charter of the Committee to determine its adequacy for the Company's current circumstances, and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.
- 8.2 The Charter will be available on the Company's website within a reasonable time after any such updates or amendments have been approved.

9. Administrative matters

The proceedings of the Committee will be conducted in accordance with the provisions set out in Annexure 1.

Annexure 1 – Administrative matters and procedure

1. 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.

2. Quorum

The quorum is at least 2 members present, either in person or by using technology.

3. Convening and notice of meeting

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee.

Notice will be given to every member of the Committee, of every meeting 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.

The Company Secretary will distribute in advance of the meeting of the Committee the agenda and related papers to each of the Committee members or any other persons determined by the Committee.

4. Voting at meetings

The Committee should pursue collective decision-making and seek consensus where possible. The Committee Chair should test consensus and, if a unanimous view cannot be reached, decisions will be based on a majority view.

Each Committee member will have one vote. If any equal number of votes is cast for and against a resolution, the Committee Chair does not have a casting vote in addition to their vote as a Committee member and the resolution is not passed.

5. Independent advice

The Committee may seek the advice of the auditors, solicitors or other independent advisors, consultants or specialists as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee.

6. Minutes

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

All minutes of the Committee must be entered in a minute book maintained for the purpose and will be open at all times for inspection by any Director.

7. Reporting

It is intended that the Committee Chair will prepare a report of the actions of the Committee to be included in the Board papers for the Board meeting next following a meeting of the Company. The report may include provision of meeting agendas, papers and minutes of the Committee.

The Committee Chair will also, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All Directors will be permitted, within the Board meeting, to request information of the Committee Chair or members of the Committee.

Annexure 2 – External Audit Policy

1. Appointment

The Committee has the responsibility and authority (subject to the Corporations Act 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.

2. 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 the external audit, the Committee will use various criteria, including:

- 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; 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.

3. Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company, a Subsidiary or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company (or Subsidiary, as applicable). 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 a 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 Board approves 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 CFO, 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 policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

4. 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 relevant board may, following recommendations from the Committee, extend the eligibility term of the audit engagement partner in accordance with the Corporations Act.