



# **Audit, Risk and Compliance Committee Charter**

QANTM Intellectual Property Limited ACN 612 441 326

Approved by the QANTM Board on 25 May 2023

# Audit, Risk and Compliance Committee Charter

## 1. Introduction

- 1.1 The Audit, Risk and Compliance Committee (**Committee**) is a committee of the board of directors (**Board**) of QANTM Intellectual Property Limited (ACN 612 441 326) (the **Company**).
- 1.2 This Charter sets out the authority delegated to the Committee by the Board and its responsibilities, membership and operation in relation to the Company and its related bodies corporate (**Group**).

## 2. Objective

The objectives of the Committee are to:

- (a) help the Board achieve its objectives in relation to:
  - (i) integrity of financial reporting;
  - (ii) the application of financial and accounting policies;
  - (iii) legal and regulatory compliance; and
  - (iv) effectiveness of the Group's internal control and risk management systems;
- (b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- (c) promote a culture of compliance;
- (d) facilitate an effective external (and, if determined to be appropriate for the Company, internal) audit function and communication between the Board and the auditors; and
- (e) confirm that compliance strategies and compliance practices and procedures are effective.

## 3. Responsibilities and duties

### 3.1 External financial reporting

The Committee is responsible for:

- (a) assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- (b) obtaining an independent judgment from the external auditor about:
  - (i) the acceptability and appropriateness of accounting policies and principles put forward by management; and
  - (ii) the clarity of current or proposed financial disclosure practices as put forward by management;
- (c) assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements);

- (d) reviewing compliance with all related party disclosures required (where applicable) by accounting standards and the *Corporations Act 2001* (Cth);
- (e) assessing information from internal and external auditors that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);
- (f) reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess whether they represent a true and fair view of the financial position and performance of the Company for reporting purposes. The Committee should focus on:
  - (i) the compliance of financial reports with accounting standards and the *Corporations Act 2001* (Cth);
  - (ii) the nature and impact of any changes in accounting policies during the applicable period;
  - (iii) significant or unusual transactions and accounting estimates;
  - (iv) significant changes in accounting policies and practices;
  - (v) underlying earnings;
  - (vi) significant audit adjustments and unadjusted audit differences; and
  - (vii) the form of the proposed opinion to be issued by the external auditor;
- (g) discussing any draft audit opinion letter with the external auditors before it is finalised;
- (h) reviewing any representation letters signed by senior management;
- (i) recommending for approval by the Board the Company's interim and final financial reports and the annual report;
- (j) reviewing documents and reports to the regulators, as appropriate, and recommending to the Board their approval or amendment; and
- (k) maintain oversight on any material matters raised by the Board regarding financial reports, audit opinions and management representation letters.

### **3.2 Risk management and internal compliance and control systems**

The Committee is responsible for:

- (a) overseeing the risk management framework (with respect to both financial and non-financial risks) and internal compliance and control framework and confirming there is a mechanism for assessing the efficiency and effectiveness of those frameworks and management's performance against them;
- (b) making recommendations to the Board with respect to changes to the Company's risk management framework or to the risk appetite statement, articulating the risk appetite in accordance with which the Board expects management to operate;
- (c) approving, and recommending to the Board for adoption, policies and procedures on risk oversight and management to establish an effective and efficient system for:
  - (i) identifying, assessing, monitoring and managing risk; and
  - (ii) disclosing any material change to the Group's risk profile;
- (d) regularly reviewing and updating the Group's risk profile, receiving reports from management on new and emerging sources of risk and risk controls and mitigation measures to deal with those risks and progress against agreed risk management plans;

- (e) reviewing the risk management framework at least annually to satisfy itself that it continues to be sound and that the Group's management is operating with due regard to the risk appetite set by the Board;
- (f) assessing the adequacy of the internal risk control system with management and external (and, if applicable, internal) auditors;
- (g) monitoring the effectiveness of the internal risk control system including reviewing any material incident involving fraud or a break-down of the internal risk controls and the "lessons learned";
- (h) oversee the appropriateness of the material risks identified through the risk management system. The material risks may include risks arising from:
  - (i) implementing strategies (strategic risk);
  - (ii) operations or external events (operational risk);
  - (iii) legal and regulatory compliance (legal risk);
  - (iv) changes in community expectation of corporate behaviour (reputation risk);
  - (v) a counterparty's financial obligations within a contract (credit risk);
  - (vi) changes in financial and physical market prices (market risk); and
  - (vii) being unable to fund operations or convert assets into cash (liquidity risk);
  - (viii) environmental and social factors, or any impacts upon them (environmental and social risks);
  - (ix) cyber security incident, cyber attack and/or data breach (technology risk);and
- (i) assessing if management has controls in place for unusual transactions and any potential transactions that may otherwise represent an unacceptable level of risk.

### **3.3 Key financial risks**

The Committee is responsible for:

- (a) assessing and prioritising the areas of greatest potential financial risk, including:
  - (i) safeguarding assets;
  - (ii) litigation and claims;
  - (iii) non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss;
  - (iv) important judgments and accounting estimates; and
  - (v) maintenance of proper accounting records;
- (b) assessing the internal process for determining areas of greatest potential financial risk;
- (c) assessing and monitoring the management of areas of greatest potential financial risk; and
- (d) reporting to the Board on the adequacy of the financial risk management.

### **3.4 Legal and regulatory risk**

The Committee is responsible for:

- (a) assessing and prioritising the areas of greatest legal and regulatory risk;
- (b) assessing the internal process for determining, monitoring and managing areas of greatest legal and regulatory risk;

- (c) receiving reports from management of any actual or suspected fraud, theft or other breach of the law;
- (d) monitoring compliance with legal and regulatory obligations; and
- (e) reporting and making recommendations to the Board regarding:
  - (i) the management of areas of greatest legal and regulatory risk (including fraud and theft); and
  - (ii) compliance with legal and regulatory obligations.

### **3.5 Disclosure and reporting**

The Committee is responsible for:

- (a) reviewing management's processes for procuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);
- (b) assessing management's processes for ascertaining that non-financial information in documents (both public and internal) does not conflict inappropriately with financial reports and other documents;
- (c) assessing internal control systems relating to the release of potentially adverse information; and
- (d) reviewing the process supporting QANTM's risk management and internal compliance functions to confirm that they are operating efficiently and effectively in all material aspects in accordance with the best practice recommendations of the ASX Corporate Governance Council.

## **4. External audit**

The Committee is responsible for:

- (a) reviewing and recommending to the Board for approval, the terms of engagement with the external auditor at the beginning of each financial year;
- (b) regularly reviewing with the external auditor:
  - (i) the scope of the external audit;
  - (ii) identified risk areas; and
  - (iii) any other agreed procedures;
- (c) approving and recommending to the Board for adoption, policies and procedures for appointing or removing an external auditor, including criteria for:
  - (i) technical and professional competency;
  - (ii) adequacy of resources; and
  - (iii) experience, integrity, objectivity and independence;
- (d) recommending to the Board for approval, the appointment or removal of an external auditor based on those policies and procedures referred to in paragraph (c);
- (e) reviewing and assessing on a regular basis the compliance of the external auditor with criteria referred to in paragraph (c);
- (f) recommending to the Board the remuneration of the external auditor;

- (g) regularly reviewing the effectiveness and independence of the external auditor, taking into account:
  - (i) the length of appointment;
  - (ii) the frequency of rotation of the lead engagement partner;
  - (iii) the fees paid to external auditors for audit and non-audit services, including the materiality of fees paid for non-audit services and the nature of those services; and
  - (iv) any relationships with the Group or any other body or organisation that may impair or appear to impair the external auditor's independence;
- (h) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee;
- (i) recommending to the Board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;
- (j) meeting periodically with the external auditors and inviting them to attend Committee meetings to:
  - (i) review their plans for carrying out internal control reviews; and
  - (ii) assist the Committee's consideration of any findings and recommendations made by the external auditor, including with respect to material weaknesses in internal controls and management's response to those matters;
- (k) asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved;
- (l) monitoring and reporting to the Board on management's response to the external auditor's findings and recommendations;
- (m) reviewing all representation letters signed by management and confirming information provided is complete and appropriate; and
- (n) receiving and reviewing the reports of the external auditor.

## 5. Internal audit

The Committee is responsible for the regular assessment of adequacy of the internal audit process, and considering and making recommendations to the Board as to whether the Company should establish and/or maintain an internal audit team.

If the Board resolves to establish an internal audit team for the Company, the Committee will be responsible for:

- (a) ratifying the engagement and dismissal by management of any internal audit team;
- (b) procuring that any internal audit team is independent of the external auditor;
- (c) confirming the external auditor does not provide internal audit services;
- (d) overseeing the scope of the internal audit, including reviewing the internal audit team's mission, charter, qualifications and resources;
- (e) reviewing and approving the scope of the internal audit plan and work programme;
- (f) monitoring the progress of the internal audit work programme and considering the implications of the internal audit findings for the control environment;

- (g) monitoring and reporting to the Board on management's responsiveness to internal audit findings and recommendations;
- (h) evaluating the process for monitoring and assessing the effectiveness of the internal audit function;
- (i) overseeing the liaison between the internal audit team and the external auditor;
- (j) receiving and reviewing the internal audit team's reports; and
- (k) monitoring that the internal audit team reports directly to the Committee.

## 6. Other responsibilities

The Committee is responsible for:

- (a) assessing and recommending to the Board for adoption the scope, cover and cost of the Company's insurance program having regard to the Group's businesses and operations, and the insurable risks associated with them;
- (b) oversight of Company policies and procedures with respect to reporting and investigation of complaints or allegations with respect to issues of concern, and protection of whistleblowers, and oversight or the nature and frequency of complaints and whistleblower reports and the outcomes of their investigation and resolution; and
- (c) reviewing and monitoring any related party transaction involving the Company and recommending its approval.

## 7. Committee composition

- 7.1 The Committee must comprise at least three directors, all of whom must be non-executive directors, and a majority of whom must be independent directors.
- 7.2 The Board will appoint the chairperson of the Committee, who must be an independent non-executive director and may not be the chairperson of the Board.
- 7.3 The company secretary or another appropriate, designated person will act as secretary to the Committee, and will have similar responsibilities with respect to Committee meetings as the company secretary has with respect to Board meetings.
- 7.4 The Committee must be of sufficient size, independence and technical expertise to discharge its mandate effectively.
- 7.5 Each member of the Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.
- 7.6 Each member of the Committee should have an understanding of the industry in which the Group operates.
- 7.7 The Board will decide appointments, rotations and resignations within the Committee having regard to the *ASX Listing Rules* and the *Corporations Act 2001* (Cth).
- 7.8 A member may act by their alternate.

## 8. Committee meetings

- 8.1 The Committee will meet at least four times a year and hold additional meetings as often as it considers necessary, or upon request from the external auditors.
- 8.2 A quorum for a Committee meeting is two Committee members.
- 8.3 Subject to the Corporations Act, a Committee meeting may be held by the members communicating with each other by any technological means consented to by all the members. The consent may be a standing one, and a member can only withdraw their consent to the means of communication between the members if the member does so at least 48 hours prior to the meeting. A member who is not physically present but participating by technological means is taken to be present and entitled to vote at the meeting.
- 8.4 A meeting of the Committee must be called by giving not less than 48 hours' notice of such meeting to each member, unless the members unanimously agree otherwise. The notice may be in writing or given using any technology consented to by all the members, and such consent may be a standing one. An accidental omission to send a notice of the meeting of the Committee to any member, or non-receipt of such notice by any member, does not invalidate the proceedings, or any resolution passed, at the meeting. The notice of meeting must confirm the date, time and venue and agenda for the meeting, and will include relevant supporting papers for the agenda items to be discussed.
- 8.5 The Committee may invite other persons it regards appropriate to attend Committee meetings.
- 8.6 Non-executive directors who are not members of the Audit Committee may attend meetings.

## 9. Reporting to the Board

- 9.1 The Committee chairperson must report the Committee's findings to the Board after each Committee meeting.

## 10. Access to information and independent advice

- 10.1 The members of the Committee have the right to access any information they consider necessary in order to fulfil their responsibilities and exercise independent judgment when making decisions, including access to the Company's management and auditors (both internal and external).
- 10.2 The Committee may meet with external advisers without management being present.

## 11. Approved and adopted

This Charter has been approved and adopted by the Board.

**Date Approved:** 25 May 2023