

AFT PHARMACEUTICALS LIMITED
(AFT Pharmaceuticals or the Company)
Audit and Risk Committee Charter

The Audit and Risk Committee shall be a committee of the board of AFT Pharmaceuticals (the **Board**).

1. Purpose

The purpose of the Audit and Risk Committee is to oversee AFT Pharmaceuticals':

- (a) financial and other periodic corporate reporting;
- (b) relationship with the external auditor and the external audit function generally;
- (c) processes for identifying and managing financial and non-financial risk;
- (d) internal controls and systems; and
- (e) processes for monitoring compliance with laws and regulations (including the NZX Listing Rules)

2. Duties and responsibilities

The Audit and Risk Committee does not take actions or make decisions on behalf of the Board. However, the Board has delegated certain functions to the Audit and Risk Committee for which the Board is responsible, including the following:

Financial Reporting

The responsibilities of the Audit and Risk Committee in relation to financial reporting are as follows:

- (a) Review the Company's financial statements for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Audit and Risk Committee members of, and otherwise provide 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.
- (b) 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, including significant changes in the selection or application of accounting principles.
- (c) Reviewing the Company's financial reports and advising the Board whether they comply with the appropriate laws and regulations.
- (d) Review drafts of the CEO and CFO declarations which are to be provided to the Board relating to the Company's full year and half year financial statements.
- (e) Review the Company's corporate and financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes. This includes reviewing the process to verify the integrity of any results announcements released to the market that is not audited or reviewed by the external auditor.

- (f) Ensure that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated about corporate financial matters relating to the Company.
- (g) Review any proposed payment of a dividend to shareholders.

External Audit

The responsibilities of the Audit and Risk Committee in relation to the external audit are as follows:

- (i) Review and make recommendations to the Board in relation to the scope and adequacy of the external audit.
- (ii) Review the effectiveness of the annual audit, placing emphasis on areas where the Audit and Risk Committee or the external auditor believes special attention is necessary, and, more broadly, meeting regularly to monitor and review the external auditor's practices.
- (iii) Review the external auditor's report regarding significant findings in the conduct of its audit and the adequacy of management's response, and monitor whether any issues are being managed and rectified in an appropriate and timely manner.
- (iv) Separately from management, discuss with the external auditor matters relating to the conduct of the audit, including any issues arising during the audit.
- (v) Review the performance, independence and objectivity of the external auditor at least annually.
- (vi) Review annually and recommend to the Board, the external auditor's terms of engagement (including the audit plan) and other contractual terms, fees and other compensation to be paid to the external auditor and ensure that any key risk areas for the Company and financial requirements are incorporated into the audit plan.
- (vii) Review the procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners.
- (viii) Recommend to the Board the selection and removal of the external auditor, subject to any shareholder approval and ensure that the key audit partner is changed in line with best practice and in any case (and as required by the NZX Listing Rules) at least every 5 years.
- (ix) Oversee the operation of the Auditor Independence Policy.

Risk Management

The Audit and Risk Committee's primary roles with respect to risk management are as follows:

- (i) Oversee and advise the Board on high-level risk related matters, including risk tolerance in determining strategy, as well as management of key financial and non-financial risks, including new and emerging risks.

- (ii) Review and make recommendations to the Board in relation to the risk appetite within which the Board expects management to operate, and whether any changes should be made.
- (iii) Review the Company's risk management framework and make recommendations to the Board about whether it continues to be sound and whether the Company is operating with due regard to the risk appetite set by the Board;
- (iv) Oversee management's implementation of the risk management framework, including that management has appropriate processes for identifying, assessing, responding to and regularly reporting on risks and that those processes are operating effectively.
- (v) Review the trends in the Company's risk profile and report to the Board on key risks (including emerging risks).
- (vi) Review and make recommendations to the Board on the Company's risks to be disclosed in its corporate reporting (i.e., by reporting the material risks facing the business and how these are being managed).
- (vii) Consider whether the Company has any material exposure to environmental, social or governance risks, and how it manages any risks identified.
- (viii) Evaluating the structure and adequacy of the Group's business continuity plans.
- (ix) Developing and maintenance of a risk register that records the likelihood and impact of each risk to the Company's business, identifies the key risks and notes the steps taken to mitigate each risk.

Internal Control

The Audit and Risk Committee's primary roles with respect to internal control are as follows:

- (i) Monitor whether management is communicating the importance of internal control and management of risk throughout the organisation and therefore setting up an appropriate 'control culture'.
- (ii) Review the adequacy and effectiveness of the Company's internal control framework.
- (iii) Review and make recommendations to the Board on any material incident involving fraud, or a break-down of the Company's internal controls and the "lessons learned".
- (iv) Meeting regularly to monitor and review the internal auditing practices.
- (v) Oversee and manage the Company's Conflicts of Interest Policy.
- (vi) At least annually, evaluate and make recommendations to the Board in relation to the structure and adequacy of the Company's insurance program having regard to the Company's business and the insurable risks associated with its business.
- (vii) Consider the findings of any internal investigations, relating to financial or internal controls matters, and management's response thereto;

- (viii) Review and recommend to the Board the approval of reporting to shareholders and other external stakeholders regarding sustainability, corporate social responsibility and environmental activities.

Compliance

The responsibilities of the Audit and Risk Committee in relation to compliance are as follows:

- (i) Review the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company).
- (ii) Consider with management (and, if required the internal (if any) and/or external auditor) the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.
- (iii) As directed by the Board, reviewing any non-routine statements to be issued by the Company, including announcements to NZX and ASX concerning results.

3. Membership

Members of the Audit and Risk Committee shall be appointed by the Board and shall comprise a minimum of three members who are each non-executive directors of AFT Pharmaceuticals, a majority of whom are independent directors and at least one director with an accounting or financial background. In saying that, all members must be financially literate and have an understanding of the pharmaceutical products industry.

A member of the Audit and Risk Committee will be deemed to have adequate accounting or financial background if he or she:

- (a) is a member of Chartered Accountants Australia and New Zealand, or has held a chief financial officer position at an "Issuer" for a period of greater than 24 months; or
- (b) has successfully completed a course approved by NZX for Audit and Risk Committee membership; or
- (c) has the experience and/or qualifications deemed satisfactory by the Board.

The Board shall appoint a chairperson for the Audit and Risk Committee from among the members of the Audit and Risk Committee. The chairperson shall be independent and shall not be the chairperson of the Board. The chairperson should not have a long-standing association with the external audit firm.

The appointment and removal of the Audit and Risk Committee members shall be the responsibility of the Board.

AFT Pharmaceuticals shall identify the members of the Audit and Risk Committee each year in its annual report.

4. Meetings

The Audit and Risk Committee shall meet as it deems necessary to properly fulfil its obligations and discharge its duties. The working presumption will be that it will meet once in the lead up to completion of the half year and full year results and at least once per year on matters relating to risk management.

A quorum of members of the Audit and Risk Committee shall be a majority of its members.

The Audit and Risk Committee may have in attendance such members of management and such other persons including external advisers, as it considers necessary to provide appropriate information and advice.

All directors who are not members of the Audit and Risk Committee and employees shall only be entitled to attend meetings of the Audit and Risk Committee at the invitation of the Audit and Risk Committee.

Reasonable notice of meetings and the business to be conducted shall be given to the members of the Audit and Risk Committee and all other attendees of meetings.

The external auditors may be invited to attend, at least in part, meetings of the Audit and Risk Committee and there shall be an opportunity at those meetings for the Audit and Risk Committee to speak with the external auditor without the Chief Executive Officer or management present.

The Audit and Risk Committee will have direct communication with and unrestricted access to the external auditors and any internal auditors or accountants.

The Audit and Risk Committee will convene a meeting if the external auditors so request. Minutes of all meetings shall be kept.

5. **Authorities**

The Audit and Risk Committee will make recommendations to the Board on all matters requiring its decision. The Audit and Risk Committee does not have the power or authority to make a decision in the Board's name or on its behalf.

The Audit and Risk Committee is authorised by the Board, at AFT Pharmaceuticals' expense, to obtain such outside legal or other independent information and advice including market surveys and reports, and to consult with such management and executive search consultants and other outside advisers with relevant experience and expertise, as it thinks necessary for carrying out its responsibilities.

6. **Review of the Audit and Risk Committee**

The Audit and Risk Committee will undertake an annual self-review of its duties and responsibilities. Such duties and responsibilities will also be reviewed (as against this Audit and Risk Committee Charter) by the Board, the Chief Executive Officer and any other person the Board considers appropriate.

7. **Reporting Procedures**

The chairperson of the Audit and Risk Committee will report the Audit and Risk Committee's findings and recommendations to the Board.

The minutes of all Audit and Risk Committee meetings will be circulated to members of the Board. Extracts from the minutes will be made available to such other persons as the Board directs, as may be necessary to enable them to properly carry out their functions.

8. **Policy Review**

The Board will review this Charter at least annually.

Last updated: March 2024

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