

AFT PHARMACEUTICALS LIMITED

(AFT Pharmaceuticals)

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:

- (a) assist the Board in fulfilling its responsibilities for AFT Pharmaceuticals' financial statements and external financial reporting;
- (b) assist the Board in ensuring that the ability and independence of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired; and
- (c) assist the Board in ensuring appropriate accounting policies and internal controls are established and maintained and assist the Board in ensuring the effective and efficient management of all business risks.

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 which it is responsible for, which include:

- (a) monitoring all aspects of the external audit of AFT Pharmaceuticals' affairs including:
 - (i) considering the appointment of the auditors (including their ability and independence), the audit fee and any issues on their resignation or dismissal;
 - (ii) discussing with the auditors, before the commencement of each audit, the nature and scope of their audit;
 - (iii) reviewing the auditors' service delivery plan;
 - (iv) reviewing AFT Pharmaceuticals' letter of representation to the auditors; and
 - (v) discussing with the auditors any problems, reservations or issues arising from the audit and referring matters of a material or serious nature to the Board;
- (b) reviewing the half year and annual preliminary results and financial statements, and any other financial statements to be released by AFT Pharmaceuticals, before submission to the Board, focusing particularly on:
 - (i) any change in financial or accounting policies and practices;
 - (ii) major judgemental areas;
 - (iii) significant adjustments;

- (iv) the solvency of AFT Pharmaceuticals;
- (v) the going concern assumption;
- (vi) compliance with accounting standards; and
- (vii) compliance with legal stock exchange and other regulatory requirements;
- (c) as directed by the Board, reviewing any non-routine statements to be issued by AFT Pharmaceuticals, including announcements to NZX and ASX concerning results;
- (d) regularly reviewing AFT Pharmaceuticals' internal controls and systems, insurance and treasury management policies and practices;
- (e) monitoring and regularly reviewing AFT Pharmaceuticals' delegated authorities;
- (f) considering the findings of any internal investigations, relating to financial or internal controls matters, and management's response thereto;
- (g) as directed by the Board, monitoring compliance by AFT Pharmaceuticals with its constitution, applicable laws and regulations and stock exchange requirements;
- (h) promoting and reviewing the integrity of AFT Pharmaceuticals' financial reporting;
- (i) establishing and regularly reviewing a procedure to identify other situations or circumstances in which AFT Pharmaceuticals may be materially at risk and initiating appropriate action through the Board or the managing director;
- (j) overseeing the independence of the external auditors and addressing issues of auditor independence;
- (k) creating, managing and monitoring processes so the Board is properly and regularly informed and updated on corporate finance matters;
- (l) recommending the appointment and removal of the independent auditor;
- (m) meeting regularly to monitor and review the independent and internal auditing practices;
- (n) having direct communication with and unrestricted access to the independent auditor and any internal auditors or accountants;
- (o) reviewing the financial reports and advising all directors whether they comply with the appropriate laws and regulations; and
- (p) ensuring that the external auditor or lead audit partner is changed in line with best practice.

The Audit and Risk Committee shall:

- (a) regularly report to the Board on the operation of AFT Pharmaceuticals' risk management and internal control processes;
- (b) provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of AFT Pharmaceuticals; and

- (c) attend to any other matter put to the Audit and Risk Committee for consideration by the Board.

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 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 convene a meeting if the 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 the 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 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.

Last updated: 22 February 2017

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