



UnderCoverWear

## **AUDIT COMMITTEE CHARTER**

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### **1. Purpose**

- 1.1 The Audit Committee is established by the Board of Directors. The purpose of the Audit Committee is to assist the Board of Directors in its review of:
  - (a) UCW's financial reporting principles and policies, controls and procedures;
  - (b) the integrity of UCW's financial statements and the independent audit thereof, and the Company's compliance with legal and regulatory requirements in relation thereto; and
  - (c) due diligence and prudential supervision procedures required by regulatory bodies.
- 1.2 The Audit Committee will report to the Board on each of the matters referred to in clause 1.1.
- 1.3 The Audit Committee is also responsible for:
  - (a) the appointment, evaluation and oversight of the external auditor;
  - (b) compensation of external auditor; and
  - (c) where deemed appropriate, replacement of the external auditor.

### **2. Powers of the Audit Committee**

- 2.1 The Committee is required to make recommendations to the Board and does not have any executive powers to commit the Board of management to the implementation of these recommendations, other than:



- (a) where the Board has delegated authority to the Audit Committee; and
  - (b) for matters relating to the appointment, compensation, oversight and replacement of the external auditor.
- 2.2 The Committee has unrestricted access to executives of UCW, and to the external auditors in order to fulfil its purpose and undertake its duties.
- 2.3 The Committee has the ability to direct any special investigations deemed necessary and to consult independent experts where considered necessary to carry out its duties. Costs of such consultations are borne by UCW.

### **3. Function of Respective Parties**

- 3.1 Other than in relation to the work of the external auditor, the function of the Audit Committee is oversight. It is recognised that members of the Audit Committee are not full time employees of UCW.
- 3.2 Each member of the Audit Committee is entitled to rely on executives of UCW, on matters within their responsibility, and on external professionals on matters within their areas of expertise, and may assume the accuracy of information provided by such persons, so long as he or she is not aware of any reasonable grounds upon which such reliance or assumption may be inappropriate.
- 3.3 The Board may rely upon information provided by the Committee and its members, in relation to matters within the Committee's responsibility under the terms of this charter, provided that it has evaluated all the information and is not aware of any reasonable basis upon which to question its accuracy.
- 3.4 Management of UCW is responsible for the preparation, presentation and integrity of the Group's financial statements. Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles and the policies and procedures on internal controls designed to assure compliance with accounting standards, applicable laws and other regulations.
- 3.5 The external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing standards. The external auditors are accountable to shareholders through the Audit Committee.

### **4. Duties of the Audit Committee**

- 4.1 The following duties are structured in accordance with the Committee's purposes:
- (a) With respect to the external auditors:
    - (i) select, evaluate and replace as necessary the external auditor;



- (ii) review and agree the annual audit engagement letter;
  - (iii) approve the fees charged for audit and review services;
  - (iv) determine categories of non-audit services that may be provided by the external auditor;
  - (v) provide approval of all non-audit services that are to be undertaken by the external auditor;
  - (vi) review and provide oversight of audit reports prepared and issued by the external auditors on Group financial statements and activities;
  - (vii) consider and review reports prepared by the external auditor on critical accounting policies, all alternative treatments of financial information permitted under Australian GAAP, and all other written communication between the external auditor and management;
  - (viii) resolve any disagreements between the external auditor and management regarding UCW's financial reporting;
  - (ix) discuss with the external auditors any relationship that may impact their objectivity and independence;
  - (x) ensure that the external auditors prepare and deliver an annual statement as to their independence, which includes details of all relationships with UCW;
  - (xi) annually review the effectiveness of the external auditor; and
  - (xii) ensure the external audit engagement partner and review partner be rotated every five years.
- (b) With respect to financial reporting:
- (i) receive from management and the external auditors a timely analysis of significant financial reporting issues and practices and review such analyses;
  - (ii) review the full-year and half-year audited financial statements, earnings press releases, other financial information being made public, any significant matters arising from the audit, management judgements and accounting estimates, and significant changes to UCW's auditing and accounting principles, policies, controls, procedures and practices with management and external auditors;
  - (iii) discuss the critical accounting policies with external auditors and management;



- (iv) review the certification provided by the Chief Executive Officer and the Chief Financial Officer on annual and half yearly reports and review the processes that were used to reach the opinion provided in the certification;
  - (v) ensure the financial statements include disclosure covering governance issues in accordance with the requirements of regulators; and
  - (vi) review the form of opinion that the external auditors propose to render.
- (c) With respect to due diligence procedures:
- (i) discuss any reports prepared in relation to issues of shares, debt securities, or other instruments requiring the issue of a prospectus, where the prospectus is issued by the UCW Group;
  - (ii) discuss reports on the UCW Group prepared for prudential supervisors or other regulators; and
  - (iii) consider any reports prepared by external auditors in relation to the above due diligence procedures.
- (d) With respect to corporate governance:
- (i) develop and promulgate rules on the employment by UCW of members of the external audit firm; and
  - (ii) ensure that UCW has adopted an executed Code of Conduct by the Chief Executive Officer and Chief Financial Officer.
- (e) With respect to reporting:
- (i) review the Audit Committee Charter annually, and recommend any changes to the Board of Directors;
  - (ii) provide a self-assessment of the effectiveness of the Audit Committee at least annually;
  - (iii) ensure the Audit Committee Charter is available on the UCW website, and that all shareholders are informed at least annually of the location of the Audit Committee Charter; and
  - (iv) report to the Board on the activities of the Audit Committee.
- (f) With respect to internal controls:



- (i) review the effectiveness and efficiency of operations;
- (ii) assess the reliability of financial reporting;
- (iii) ensure compliance with applicable laws and regulations; and
- (iv) review in a general manner the Company's policies with respect to risk assessment and risk management.

## **5. Eligibility**

- 5.1 The Audit Committee shall appoint one of its members, other than the Chairman of the Board, to serve as its chairman for a period of no more than five years.
- 5.2 The Committee shall be appointed by the Board and comprise a minimum of two non-executive directors, including the chairman. The Chairman shall be an independent non-executive director. A quorum shall be any two members.
- 5.3 The independence criteria set out in the Board Charter will apply to determining eligibility of Audit Committee members.
- 5.4 Each member of the Audit Committee must be appropriately financially literate (as such qualification is interpreted by the Board in its business judgement) and have a strong understanding of the industry in which the Company operates.
- 5.5 The Chairman of the Audit Committee is required to have accounting or related financial expertise which includes past employment, professional qualifications or other comparable experience in preparing or auditing financial statements of companies comparable to UCW and in the functioning of audit committees.

## **6. Meetings**

- 6.1 The Audit Committee will meet at least two times annually, and more frequently if it deems necessary.
- 6.2 Representatives of management and of the external auditors will be invited to attend part or all of any meeting of the Audit Committee. The Committee may request certain parties to withdraw from any part of the meeting, and may request any officer or employee of the Company or the external auditors to attend a meeting.
- 6.3 The Audit Committee will meet at least once annually with the external auditors, in the absence of management. The Audit Committee will request the external auditor to advise it whether any officer of UCW has taken any action to improperly influence, coerce, manipulate or mislead any member of the external audit team for the purpose of rendering the financial statements materially misleading.

