



Southern Cross Payments Ltd

Corporate Governance Policies

Audit Committee Charter

1. Composition of the Audit Committee

The Committee shall be members of, and appointed by, the Board of Directors and shall comprise 3 independent non-executive directors, where possible, with the secretary of the company being the secretary of the Audit Committee. All Committee members shall be financially literate. One member, who does not chair the Board, shall be appointed to chair the Audit Committee and be an independent non-executive director. At least one member shall have accounting and/or related financial management expertise as determined by the Board, along with another member who has experience in managing financial, operational and regulatory risk. All Committee members shall have a reasonable understanding of the sectors/industries in which the Company participates.

2. Role of the Audit Committee

The role of the Audit Committee is to review and make recommendations to the Board in relation to:

- the adequacy of the entity's corporate reporting processes and internal control framework;
- whether the entity's financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the entity;
- the appropriateness of the accounting judgements or choices exercised by management in preparing the entity's financial statements;
- the appointment or removal of the external auditor;
- the fees payable to the auditor for audit and non-audit work;
- the rotation of the audit engagement partner;
- the scope and adequacy of the external audit;
- the independence and performance of the external auditor;
- any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- if the Company has an internal audit function:
 - the appointment or removal of the company appointed to complete the internal audit function;
 - the scope and adequacy of the internal audit work plan; and
 - the independence, objectivity and performance of the internal audit function.

3. Operations

The Committee shall review audit matters at a minimum at least four (4) times a year to consider the six monthly and annual external audit results, and otherwise as required based upon the i) internal audit plan, and ii) the external audit plan. Minutes of the consideration of such matters are to be kept and provided to the Board as part of their next meeting papers.

4. Authority and Resources

- (a) The Committee may seek provision of educational information on accounting policies and other financial topics relevant to the Company to assist in fulfilling their duties. Further, the Committee may seek explanations and additional information from the Company's external auditors, without management present, when required.
- (b) When considered necessary or appropriate, the Committee may conduct or authorise investigations and may retain independent legal, accounting or other advisors.

5. Reporting to the Board and Shareholders

To assist the Board to carry out its audit function, the Audit Committee should compile a report to the Board on, at least annually, on the following matters:

- (a) Receive and appraise, at least annually the reports of the external auditor and internal auditor where appropriate.
- (b) assessment of whether external reporting is consistent with Board members' information and knowledge and is adequate for shareholder needs;
- (c) assessment of the management processes supporting external reporting;
- (d) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (e) recommendations for the appointment or, if necessary, the removal of the external auditor; and
- (f) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Board is satisfied that provision of those services has not compromised the auditor's independence.

6. Responsibilities

Annual responsibilities of the Audit Committee are as set out in the Audit Committee Charter – Annual Action Points contained in Schedule 1.

Schedule 1 – Audit Committee Charter – Annual Action Points

1. Financial Reporting and Internal Controls

- (a) Review half-year, annual and, if applicable, quarterly financial statements.
- (b) Assess management's selection of accounting policies and principles.
- (c) Consider the external audit of the financial statements and the external auditor's report thereon including an assessment of whether external reporting is consistent with Board members' information and knowledge.
- (d) Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks (and other business risks if authorised), and the Company's risk management framework and systems generally.
- (e) Assess if the external auditors report is adequate for shareholder needs.

2. Annual meeting with External Auditor

- (a) Discuss the Company's choice of accounting policies and methods, and any recommended changes.
- (b) Discuss the adequacy and effectiveness of the Company's internal controls.
- (c) Discuss any significant findings and recommendations of the external auditor and management's response thereto.
- (d) Discuss any difficulties of disputes with management encountered during the course of the audit including any restrictions or access to required information.

3. External Auditor

- (a) Review the Company's procedures regarding the external auditor including the matters set out in Schedule 2.
- (b) Appoint and, if necessary, remove the external auditor and approve the terms on which the external auditor is engaged including the matters set out in Schedule 2.
- (c) Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services.
- (d) Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees.
- (e) Assess the overall performance of the external auditor.
- (f) Ensure auditor attendance at Company's annual general meeting and availability to answer questions from security holders relevant to the audit.

4. Internal Communications and Reporting

Provide the report described in clause 5 of the Audit Committee Charter.

5. Other

- (a) Verify the composition of the Audit Committee function is in accordance with the Audit Committee Charter.
- (b) Review the independence of each Board member based on the Company's policy on assessing the independence of Directors in the Board Charter.
- (c) Review and update the Audit Committee Charter and Action Points.
- (d) Develop and oversee procedures for treating complaints or employee concerns received by the Company regarding accounting, internal accounting controls, auditing matters and breaches of the Company's Code of Conduct.

Schedule 2 – Procedure for selection and appointment of external auditor

1. Introduction

The Audit Committee conducts the selection process and recommends a preferred external auditor to the Board. The Board may endorse the external auditor recommended by the Audit Committee and appoint the auditor. Alternatively the Board may wish to review the recommendation of the Audit Committee.

At the request of the Audit Committee, the chief financial officer and/or chief executive officer may assist the Audit Committee in the selection and appointment process including by proposal of an external auditor, together with a written supporting submission.

2. Tender

(a) Request for submissions

If the Audit Committee elects to undertake a tender process, the chief executive officer or chief financial officer will prepare or cause to be prepared a draft request for submissions that will be reviewed for approval by the Audit Committee (with such changes as it considers appropriate).

The request should contain sufficient information to enable a proposal and fee estimate to be given to the Company. The request should include information about the Company, its operations, its key personnel, its structure, its financials and any other relevant information.

The chief executive officer or chief financial officer will arrange for candidates to meet with a selection panel appointed by the Audit Committee.

(b) Selection Panel

The selection panel will comprise nominated members of the Audit Committee, and any other person the Audit Committee considers appropriate to assist it to assess the suitability of the external auditor.

3. Selection Criteria

The preferred external auditor should best satisfy the selection criteria identified by the Audit Committee including:

(a) Fees

A candidate must provide a firm fee quotation for its audit services. Price will be only one of the relevant factors in the selection of a preferred external auditor.

(b) Independence

A candidate must satisfy the Audit Committee that it is independent and outline the procedures it has in place to maintain its independence.

The external auditor must be independent from, and be seen to be independent from, the Company.

In monitoring external auditor independence, the Audit Committee will have regard to the following principles:

- (i) monitor the number of former employees of the external auditor who were involved in auditing the Company and who are currently employed in senior financial positions in the Company, and assess whether this impairs or appears to impair the auditor's judgement or independence in respect of the Company. An individual auditor who was engaged by the external auditor and participated in the Company's audit shall be precluded from employment as chief executive officer or chief financial officer of the Company for a period of at least 12 months from the time of the audit; and
- (ii) consider whether taken as a whole, the various relationships between the Company and the external auditor and the economic importance of the Company (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of any non-audit services) to the external audit impair or appear to impair the auditor's judgement or independence in respect of the Company.

(c) Scope of audit/issues resolution

A candidate must outline its response to the scope of audit in the request for submissions and any proposed procedures to address any issue of material significance or matter of disagreement with the Company's management.

The external auditor and the chief financial officer will be required to disclose to the Audit Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

(d) Non-audit work

A candidate must detail its approach to the provision of non-audit related services to the Company. Generally such work should be at most negligible.

If proposed otherwise, the Audit Committee must consider the circumstances in which the Company might use the external auditor for non-audit services. Matters to be considered include the extent, scope and potential value of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

The scope of non-audit work must not be allowed to impinge upon the external auditor's independence (refer also to paragraph 4 below).

(e) Other matters

The selection criteria may include such other matters as the Audit Committee thinks fit.

4. Policy on audit and non-audit services

The Audit Committee will develop a policy that sets out the circumstances in which the Company may use the external auditor for other services. A copy of this policy will be provided to the external auditor.

The policy will be based on the following principles:

- (a) the external auditor may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor;
- (b) the external auditor should not provide services that are perceived to be materially in conflict with the role of auditor;
- (c) the external auditor may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the Audit Committee;
- (d) exceptions may be made to the policy (with specific Board approval) where the variation is in the interests of the Company and arrangements are put in place to preserve the integrity of the external audit process.

5. Rotation of external audit engagement partner

The Audit Committee will ensure that the external auditor has in place arrangements with regard to any legislative or regulatory requirements for rotation of the audit engagement partner.

The audit engagement partner for the audit must rotate at least every 5 years. At least two years must expire before the Audit Partner can again be involved in the audit of the Company.

6. Review of audit arrangements

The Audit Committee will periodically review the external auditor's performance, at least annually. As part of this review the Audit Committee will obtain feedback from the chief financial officer and other members of senior management regarding the quality of the audit service.