



WDS LIMITED
AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

1. INTRODUCTION

- 1.1 The function of the WDS Limited (WDS) Audit and Risk Management Committee is to assist the WDS Board and its subsidiaries (Group) in fulfilling its corporate governance responsibilities in regard to:
- (a) the reliability and integrity of financial information for inclusion in the WDS financial statements;
 - (b) audit, accounting and financial reporting obligations of WDS;
 - (c) safeguarding the independence of the external auditor;
 - (d) business or “financial” risk management; and
 - (e) the integrity of the systems of internal control established by the Board and management.
- 1.2 It is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditor, internal auditors and Executive Management.
- 1.3 To the extent practicable, WDS endorses the Australian Securities Exchange (ASX) Corporate Governance Council’s *Corporate Governance Principles Recommendations (ASX Principles)*.

2. MEMBERSHIP

- 2.1 The Committee is to consist of:
- (a) only non-executive directors;
 - (b) at least three members;
 - (c) a majority of independent non-executive directors;
 - (d) members who are all financially literate (i.e. are able to read and understand financial statements); and
 - (e) at least one member who has financial expertise.
- 2.2 The Committee may seek the counsel of an expert at any time and may do so in accordance with clause 6 of this Charter.
- 2.3 All directors are welcome to attend Committee meetings.
- 2.4 The Chairman of the Committee is to be an independent non-executive director and is to be appointed by the Board (but is not to be the Chairman of the Board).
- 2.5 Committee members and the Chairman of the Committee are appointed by the WDS Board in accordance with clause 25.17 of the WDS Constitution.



- 2.6 Committee members may appoint Alternate directors to act as an Alternate member on the same terms as that set out in clause 19.7 of the WDS Constitution.
- 2.7 To ensure effective communication between the Committee and the Health Safety Environment and Community Committee (HSECC) at least one member of the Committee should also be a member of the HSECC.

3. DUTIES AND RESPONSIBILITIES

3.1 Understanding the Business

The Committee should ensure that it understands the structure controls and types of transactions of WDS as a provider of specialist services to the underground coal mining industry and pipeline construction and maintenance services in Australia.

3.2 Financial Reporting

In assisting the Board (and without limiting its scope), the Committee will:

- (a) review the financial information presented by management to the Board, the market, shareholders and regulators;
- (b) oversee the effectiveness of administrative and accounting controls used by WDS;
- (c) oversee and appraise the quality of the audits conducted by the external auditors;
- (d) maintain open lines of communication with the external auditors; and
- (e) have the power to authorise investigations into any matter within the Committee's scope of responsibilities.

3.3 Review of Financial Information

Without limiting its scope, the Committee is to review:

- (a) the draft half-yearly and annual financial statements of WDS, prior to consideration by the Board, to ensure they represent a true and fair view of WDS' financial position and performance. The Committee should focus on:
 - (i) compliance with accounting standards (including an assessment of the appropriateness of management's selection of accounting policies and disclosures);
 - (ii) significant changes in accounting policies and practices;
 - (iii) major judgmental areas; and
 - (iv) significant audit adjustments; and
- (b) the declaration signed by the Chief Executive Officer and Chief Financial Officer (CFO) required by section 295A of the Corporations Act.



3.4 Insurance

Without limiting its scope, the Committee is to:

- (a) review and approve or ratify any material new insurances, proposed cancellations or variations of existing policies; and
- (b) be advised of each renewal (including details of the principal terms) of material insurances.

3.5 Taxes

Without limiting its scope, the Committee is to:

- (a) monitor compliance with all tax obligations;
- (b) review any relevant taxation information submitted to the Committee; and
- (c) where necessary, approve or ratify any material amendments to taxation policies.

3.6 Business Risk Management

Without limiting its scope, the Committee will ensure management has established and operates a business risk management system, including internal controls, which is designed to identify, assess, monitor and manage business risk.

3.7 External Auditor

In relation to the external auditor, the Audit and Risk Management Committee should:

- (a) observe the policies and procedures for the selection, appointment and re-appointment of the external auditor and the rotation of external audit engagement partners;
- (b) recommend to the Board:
 - (i) the appointment and removal of the external auditor;
 - (ii) the terms of appointment or re-appointment of the external auditor;
 - (iii) the level of fees payable to the external auditors; and
 - (iv) procedures for the rotation of external audit engagement partners.
- (c) approve the external audit plan;
- (d) at least annually, assess the performance and independence of the external auditor and whether the independence of this function is maintained having regard to the provision of non-audit related services in accordance with section 300(11B) of the *Corporations Act*, and
- (e) review any reports from the external auditor with regard to the auditor's independence, which may describe any or all of the following:
 - (i) the audit firm's internal quality control and conflict procedures;
 - (ii) any material issues raised by the most recent quality control, or peer review, of the audit firm, and any steps taken to address such issues; and



- (iii) all relationships between the external auditor and WDS.

3.8 Legal and Regulatory Compliance

Without limiting its scope, the Committee will monitor WDS' compliance with:

- (a) all relevant statutory and regulatory obligations; and
- (b) all internal policies and procedures (including the WDS Code of Conduct and Ethics).

3.9 Other

Other responsibilities of the Audit and Risk Management Committee include, but are not limited to:

- (a) reviewing policies and practices on sensitive financial issues; and
- (b) identifying and directing any special projects or investigations as deemed necessary.

3.10 General

In addition, the Committee shall examine any other matters referred to it by the Board.

4. MEETINGS

- 4.1 The Committee should meet at least four times per year. Additional meetings may be requested by any member.
- 4.2 A quorum for a Committee meeting is when at least two members are present.
- 4.3 At each meeting, the Committee may meet:
 - (a) privately;
 - (b) with executive management (without the external auditor) to ensure there are no issues relating to the external auditor; and
 - (c) meet with the external auditors (without management) to allow any sensitive issues to be discussed and to seek assurance that no management restrictions are being placed upon the external auditor.
- 4.4 The Company Secretary will be the secretary to the Committee and will be responsible for maintaining:
 - (a) minutes of the Committee meetings; and
 - (b) records of any Committee reports or recommendations.
- 4.5 The CFO and other relevant WDS Group employees may be invited to attend Committee meetings.



5. REPORTING

- 5.1 The Committee is to report on its meetings to the Board (which may be either verbally or in writing).
- 5.2 All recommendations of the Committee are to be referred to the Board for approval.

6. ACCESS TO INFORMATION AND ADVICE

- 6.1 The Committee has unlimited, direct access to the external auditors.
- 6.2 The Committee has the authority to seek any information it requires from any WDS Group employee or contractor (Employee) and all Employees must comply with such requests. Normally (unless a conflict exists so that to do so would be inconsistent with their duties), the Committee is to request any such information via the CFO.
- 6.3 In carrying out its functions, the Committee or the CFO, as the case may be, may take independent legal, accounting or other professional advice or assistance, at the reasonable expense of WDS. Unless a conflict exists or to do so would be inconsistent with the Committee's duties, the Committee or the CFO, as the case may be, is to request such information, professional advice or assistance permitted under this clause 6 via the Chairman.

7. COMMITTEE PERFORMANCE

To determine whether it is functioning effectively, the Committee shall:

- (a) review this Charter annually; and
- (b) undertake an evaluation of its performance at intervals considered appropriate by the Chairman.