

## **AUDIT, COMPLIANCE AND RISK MANAGEMENT COMMITTEE CHARTER**

### **1. Organisation**

This charter governs the operations of the Audit, Compliance and Risk Management Committee (“the Committee”) of Slater & Gordon Ltd (“the Company”). The Committee shall review and reassess the charter at least annually and obtain the approval of the Board of Directors for any changes.

### **2. Membership**

The Committee shall be members of, and appointed by, the Board of Directors and shall preferably comprise at least three directors that have diverse, complementary backgrounds, and ideally (subject to the board’s structure) shall be comprised of three independent non-executive directors. A legal practitioner director shall attend each meeting of the Committee.

In addition, the Committee chair shall have leadership experience and a strong finance, accounting and/or business background, and shall not be the Chair of the Board of Directors.

All Committee members shall be financially literate. Furthermore, at least one member shall have accounting and/or related financial management expertise as determined by the Board of Directors.

Members of the Committee shall be considered independent so long as they do not have any relationship with the Company that may interfere with the exercise of independent judgement. This means they shall not accept any consulting, advisory, or other compensatory fee (other than directors’ fees) from the Company and are not an affiliated person of the Company or its related entities. They must also meet the criteria for independence specified in the ASX Corporate Governance Council’s Recommendation 2.1.

The external auditors, the Managing Director and the Chief Financial Officer are invited to Audit, Compliance and Risk Management Committee meetings at the discretion of the Committee.

### **3. Purpose**

The Audit, Compliance and Risk Management Committee shall provide assistance to the Board of Directors in fulfilling its corporate governance and oversight responsibilities in relation to the Company’s:

- (i) Implementation of appropriate management systems to ensure legal practitioner directors and all lawyers employed by the Company comply with the letter and spirit of the legislative provisions, regulations and rules of conduct which govern legal practice in the State or Territory concerned;
- (ii) Financial reporting;
- (iii) Internal control structure;
- (iv) External audit functions;
- (v) Trust accounting audit requirements; and
- (vi) Financial and business and risk management.

In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, external auditors, and management of the Company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

#### **4. Meetings**

The Committee will meet at least four times each year. The purpose of these meetings will be to:

- (i) Review and approve external audit plans (financial and trust audit);
- (ii) Review and approve the half-year financial report;
- (iii) Review and approve the annual financial report; and
- (iv) Annually review the operation of the Compliance and Risk Management plan.

#### **5. Duties and Responsibilities - Compliance with Legal Regulatory Framework**

A major responsibility of the Committee is to oversee the Company's implementation of and adherence to appropriate management systems for an incorporated legal practice. As an Incorporated Legal Practice, S&G is bound to comply with the requirements of the legislative provisions, regulations and rules of conduct that apply in the various States and Territories in which the Company operates and which govern legal practice.

These requirements will be included in the Compliance and Risk Management Plan and will include a process for the auditing of practice standards.

##### **5.1 Financial reporting**

Another major responsibility of the Committee is to oversee the Company's financial reporting process and assist the Board in carrying out its responsibilities in relation to financial reporting including the appropriateness of the accounting policies and principles that are used by the Company.

Whilst the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to do detailed planning of audits or to conduct audits.

The external auditors are responsible for auditing the Company's financial reports and for reviewing the Company's interim financial reports.

##### **5.2 Assessment of accounting, financial and internal controls**

The Committee shall discuss with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls. Any opinion obtained from the external auditors on the Company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The Committee shall meet periodically with management and the external auditors to discuss issues and concerns warranting Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The Committee shall provide sufficient opportunity for the external auditors to meet privately with the members of the Committee. The Committee shall review with the external auditor any audit problems or difficulties and management's response.

## **6. Related Party Transactions**

Review and monitor related-party transactions and assess their propriety.

## **7. Appointment of external auditors (Financial and Trust Auditors)**

The Committee shall be directly responsible for making recommendations to the Board of Directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting.

The Committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

## **8. Assessment of the external audit**

The Committee, at least on an annual basis, shall obtain and review a report by the external auditors (Financial and Trust) describing (or meet and discuss the following with them):

- (i) The audit firm's internal quality control procedures
- (ii) Any material issues raised by the most recent internal quality control review of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues
- (iii) All relationships between the external auditor and the Company (to assess the auditor's independence).

In addition, the Committee shall set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment to the external auditor's judgement or independence in respect of the Company.

## **9. Independence of the external auditors**

The Committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. Furthermore, the Committee shall draft an annual statement for inclusion in the Company's annual report of whether the Committee is satisfied the provision of non-audit services is compatible with external auditor independence.

## **10. Scope of the external audit**

The Committee shall discuss with the external auditors the overall scope of the external audit (Financial and Trust), including identified risk areas and any additional agreed-upon procedures. The Committee shall also review the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.

## **11. Communications with stakeholders**

The Committee shall review the half-year financial report and Appendix 4D, or the annual financial report and Appendix 4E, prior to the filing of these reports with the ASX. Also, the Committee shall discuss the results of the half-year review and annual audit and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards.

The Committee shall review all representation letters signed by management to ensure that the information provided is complete and appropriate.

## **12. Compliance and Risk Management**

The key objectives of S&G's Compliance and Risk Management framework are the following:

- (i) Maintain a robust risk management process to provide a consistent, systematic approach to identify and manage risks. This includes a strong governance focus established at the Board level, a robust risk management framework and risk information systems and reporting.
- (ii) Assign ownership of risks and controls within each practice group and functional areas of the Group. The people within the practices will take ownership of, and manage, risks and the related control activities within their area.

At the commencement of each calendar year the Committee will review and if necessary revise the risk management plan prepared by management which details the areas of risk and the process in place to manage these risks. The program will set the timetable for review by the Committee of the risk management plans prepared by the relevant Executives/Practice Group Leaders during the course of the year. The areas this program will review are Client Management and Corporate Risk.

## **13. Committee performance**

The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to its charter and current best practice.

This Audit, Compliance and Risk Management Committee Charter was adopted on 21 December 2007 and reviewed and amended on 25 February 2009 by the Board of Slater & Gordon Limited.