



Audit and Risk Committee Charter



Audit and Risk Committee Charter

This Charter sets out the role, responsibilities, structure and processes of the Audit and Risk Committee (**Committee**), established by the Board of directors of Coles Group Limited (**Company**).

This Charter has been prepared and adopted by the Board for its Committee on the basis that strong corporate governance and risk management are important foundations for the Company and its subsidiaries' (**Group**) desired culture, and will add to the performance of the Group, create shareholder value and engender the confidence of the investment market and the Group's stakeholders.

1. Structure and Composition

The Committee will comprise:

- (a) at least three members;
- (b) only non-executive directors, a majority of whom must be independent; and
- (c) an independent non-executive director as Committee Chair, who is not Chair of the Board.

It is intended that the members of the Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which the Group operates, to be able to effectively discharge the Committee's responsibilities. The Committee Chair should have significant and relevant accounting experience.

The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board. Retirement and renewal of Committee members shall be reviewed on an ongoing basis by the Board.

Any directors of the Board who are not Committee members are entitled to attend Committee meetings and receive copies of the Committee papers. Other non-committee members, including members of management and the external auditor, may attend all or part of a meeting of the Committee at the invitation of the Committee Chair.

2. Role and Responsibilities

2.1 Role of Committee

The role of the Committee is to assist the Board in fulfilling its responsibilities in overseeing the Group's financial reporting, compliance with legal and regulatory requirements and operations, overseeing the effectiveness of the enterprise risk framework including monitoring risk parameters of the Group, and overseeing the Group's systems of internal control and its risk management framework (for both financial and non-financial risks). In fulfilling this purpose, the Committee will:

- (a) review and assess the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements, including accounting standards;
- (b) review and assess any non-audit and assurance related services to be provided by external auditors;
- (c) review and assess the appointment, qualifications, independence, performance and remuneration of, and relationship with, the Group's external auditors and the integrity of the audit process as a whole;
- (d) oversee the effectiveness of the systems of internal controls and risk management framework (as they relate to both financial and non-financial risks, including exposure to environmental risks and damage to the reputation of the Group) having regard to the Group's core values;
- (e) receive reports from management on new and emerging sources of risks and the risk controls and mitigation measures that management has put in place to deal with those risks;

- (f) evaluate the adequacy and effectiveness of the Group's identification and management of environmental and social sustainability risks and its disclosure of any material exposures to those risks (financial and non-financial);
- (g) oversee the performance of the internal audit function;
- (h) oversee and report to the Board the Group's management of tax risks and governance and the Group's policies and practices for managing compliance with tax laws;
- (i) review and recommend to the Board the Group's Treasury policy and monitor the ongoing effectiveness of the Group's Treasury function;
- (j) oversee the policies and procedures for ensuring the Group's compliance with relevant regulatory and legal requirements; and
- (k) make recommendations to the Board in relation to each of the areas listed above where necessary, including changes that should be made to the Group's risk management framework or to the risk appetite set by the Board.

2.2 Financial reporting and audit

The main responsibilities of the Committee with respect to financial reporting and audit include:

- (a) **Integrity of financial statements and reporting**
 - (1) reviewing and recommending to the Board for approval the draft annual and interim financial statements of the Group and other related information, to be released through the ASX to the shareholders and the wider financial community. The review process will include consideration as to whether the financial statements reflect the understanding of the Committee of, and otherwise provide a true and fair view of, the financial position and performance of the Group;
 - (2) reviewing the process to verify the integrity of any periodic corporate report the Company releases to the market that is not audited or reviewed by the external auditor;
 - (3) reviewing and assessing the effectiveness of management's programs and policies relating to, and discussing with the external auditors the adequacy and effectiveness of, the Group's financial and reporting systems, and internal controls over these systems;
 - (4) reviewing any material changes in accounting or reporting requirements, and assessing subsequent effects on the Group's financial statements and the Group's policies and practices;
 - (5) reviewing any judgements made by management in respect of accruals, provisions, estimates, or the application of accounting policies, which materially affect the financial statements, as well as other sensitive matters, such as disclosure of unusual, non-recurring, complex or related party transactions; and
 - (6) reviewing and discussing with senior management and the external auditors the process and the disclosures made in respect of the certifications given by the Chief Executive Officer and Managing Director (**CEO**) and Chief Financial Officer with respect to the financial statements of the Group pursuant to the Corporations Act.
- (b) **Engagement with external auditors**
 - (1) reviewing with management the terms, including the scope of the external auditor's engagement in order to make recommendations to the Board concerning the appointment, re-appointment, rotation and removal of external auditors;
 - (2) reviewing and approving the terms of engagement and fees of external auditors;
 - (3) assessing and approving the engagement of external auditors where the non-audit services would exceed the fee thresholds stated in the

'Auditor Independence Policy', and otherwise complying with that policy;

- (4) reviewing and assessing non-audit and assurance-related services to be provided by external auditors, with particular consideration to the potential of those services to compromise external auditors' judgement or the auditor independence requirements under the Corporations Act, in respect of the Group;
- (5) providing an annual report to the Board with respect to whether the non-audit services provided by the external auditor during the year were compatible with the general standards of independence for auditors imposed by the Corporations Act;
- (6) reviewing, assessing and approving the audit plans of the Group's external auditors, including the degree of co-ordination between the internal and external audit teams;
- (7) reviewing and assessing the planned audit scope evaluating how the auditor will consider controls relevant to the preparation and fair presentation of the financial report;
- (8) reviewing the summary management report prepared by external audit, including the significant findings and responses of management; and assessing any significant recommendations of the auditors to strengthen the internal controls and reporting systems of the Group;
- (9) periodically meeting with the external auditors without the presence of management, to discuss the quality of the Group's accounting principles, material judgements, and any other matters that the Committee or external auditors deem appropriate;
- (10) reviewing, assessing and monitoring management's responsiveness to external audit findings;
- (11) assessing and monitoring the performance and effectiveness of the Group's external auditors, including an assessment of auditor independence in accordance with regulatory requirements; and
- (12) obtaining an independence declaration from each external auditor, as required.

(c) **Internal Audit**

- (1) reviewing with management the terms, including the scope, of the internal auditor's engagement in order to make recommendations to the Board concerning the appointment, re-appointment, rotation and removal of internal auditors;
- (2) reviewing, assessing and approving the appointment, replacement or termination of the Head of Internal Audit & Assurance and ensuring that he or she has direct access to the Committee Chair and the Chair of the Board;
- (3) meeting with the Head of Internal Audit & Assurance without the other members of management being present on a periodic basis, whenever it is deemed appropriate by the Committee Chair;
- (4) approving the resourcing of the internal audit function, its budget and staffing including any internal audit outsourcing arrangement;
- (5) receiving reports from internal audit and reviewing the scope and adequacy of the internal audit work plan, its coverage of key risks and the level of co-ordination with the external auditor;
- (6) reviewing, assessing and monitoring management's responsiveness to internal audit findings;
- (7) reviewing and assessing the performance and objectivity of the internal audit function and reviewing the results of any external quality reviews performed on the internal audit function; and
- (8) approving the internal audit charter and annual internal audit plan and ensuring its alignment with the risk profile of the Group.

2.3 Risk management and compliance

The main responsibilities of the Committee with respect to risk management and compliance include:

(a) **Internal controls and risk management**

- (1) at least annually, reviewing the Group's risk policy and risk management framework for recommendation to the Board to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board;
- (2) reviewing management and internal audit reports on the effectiveness of the internal control, risk management systems and management of material business risks (financial and non-financial);
- (3) reviewing and assessing during the course of the year the effectiveness of the internal controls, policies, programs, guidelines and procedures which form the Group's risk management framework (including reporting systems and processes for managing risk and controlling their financial impact);
- (4) reviewing and assessing management's oversight of the Group's operations and risk management framework, including that the Group is operating with due regard to the risk appetite set by the Board;
- (5) reviewing any material incident involving fraud or a break-down of the entity's risk controls and "lessons learned"; and
- (6) reviewing and recommending to the Board those Group risk management, reporting and governance policies which require Board approval.

(b) **Legal and regulatory compliance**

- (1) reviewing and assessing the effectiveness of the Group's Compliance Program in ensuring compliance with relevant regulatory and legal requirements;
- (2) reviewing and assessing the effectiveness of internal processes for ensuring compliance with the Group's policies and procedures;
- (3) reviewing compliance reports prepared by management in relation to the Group's compliance with statutory, legal and other regulatory requirements; and identifying and considering any matters that may have a material impact on the Group's activities, and report on those matters to the Board;
- (4) obtaining regular updates from the General Counsel and other management, as appropriate, regarding any material litigation, regulatory investigation, or material risks relating to Group's compliance with statutory requirements; and
- (5) reviewing, assessing and monitoring the effectiveness of the Group's policies and procedures on continuous disclosure and reporting on these to the Board.

(c) **Other areas of responsibility**

- (1) overseeing the process for the receipt, retention and treatment of information received under the Group's Whistleblower Policy, and procedures for complaints regarding matters relating to audit, financial statements, internal controls, misbehaviour, possible fraud or conduct that is in breach, or material breaches of the Group's Anti-bribery and Corruption Policy, Code of Conduct or the Group's core values;
- (2) reviewing and assessing the adequacy of the Group's insurances having regard to the Group and the insurable risks associated with the business, including Directors' and Officers' Liability insurance at least annually;
- (3) holding individual executive sessions with the CEO, direct reports to the CEO or other senior management to discuss matters with the Committee, as appropriate; and

- (4) performing any other duty or undertaking that the Board may request from time to time.

3. Meetings

- (a) The Committee will meet at least four times annually, and will hold additional meetings as it deems necessary.
- (b) A quorum for a meeting of the Committee is two directors who are Committee members.
- (c) Any member of the Committee, the Chief Financial Officer or the auditors may request the Committee Chair to convene a meeting of the Committee at any time. Notice will be given to every member of the Committee, of every meeting of the Committee. There is no minimum notice period and acknowledgment of receipt of notice by all members is not required before the meeting may be validly held.
- (d) The Committee Chair is responsible for the conduct of all Committee meetings. Matters arising for determination at a Committee meeting must be decided by a majority of votes cast by the members present and entitled to vote on the matter. The Committee Chair has a casting vote, subject to the terms of the Constitution.
- (e) The Company Secretary or his/her delegate will act as secretary for all meetings of the Committee.
- (f) The Company Secretary or his/her delegate is responsible for distributing meeting notices, agendas and Committee papers to members prior to each meeting.
- (g) The Committee will be responsible for developing an annual agenda, to ensure that the Committee reviews, assesses or reports (as applicable) on each of the areas for which it is responsible under this Charter.

4. Access to Information and Independent Advice

- (a) The Committee has the authority to require:
 - (1) the attendance of any management or team member of the Group;
 - (2) access to, and meeting with, the external and internal auditors without executives or management of the Group present; and
 - (3) unrestricted and unfettered access to any information, document, report or material in the possession of any manager, team member or entity of the Group, and all team members and managers must comply with such requests from the Committee, subject to any legal requirements, including any fiduciary or statutory duties of Committee members.
- (b) The Committee may engage any independent legal, financial or other advice as it considers necessary to perform its responsibilities under this Charter, at the Company's expense.

5. Minutes

Minutes of meetings of the Committee must be kept by the Company Secretary or his/ her delegate. The Company Secretary or his/her delegate will distribute the minutes to the Committee members for comment, and have these approved by the Committee Chair as soon as practicable after each meeting.

After approval by the Committee Chair, the minutes will be presented at the next Board meeting.

All minutes of the Committee must be entered into a minute book maintained for that purpose and be available for inspection by any director.

6. Reports to Board

- (a) The Committee will keep the Board informed of its activities through the provision of the minutes and Committee papers of each meeting. The minutes of the prior Committee meeting will be included in the Board papers for the subsequent Board meeting. All directors will be permitted, within the Board meeting, to request information of the Committee Chair or members of the Committee.

- (b) Additionally, the Committee Chair will formally advise the Chair of the Board of any matters or recommendations requiring the attention by the Board, and will ensure that the Board is made immediately aware of any matters brought to the attention of Committee Chair, that may significantly impact the financial condition or reputation of the Group.
- (c) In particular, the Committee will advise the People and Culture Committee of any matters it considers relevant to variable remuneration outcomes for the CEO or other executives.

7. Review and Assessment

- (a) The Committee will assess its effectiveness periodically and report on its findings to the Board. The Committee will also participate in a formal review at least every two years, as part of the Board and Committee review process.
- (b) The Committee will regularly review the Charter to ensure that it meets best practice standards, complies with the ASX Corporate Governance Principles and Recommendations, and meet the needs of the Group and the Committee.

Adopted by the Board on 25 May 2021 .