



**Universal Biosensors**

**Universal Biosensors, Inc.**

**ARBN 121 559 993**

**(Company)**

## **Audit and Compliance Committee Charter**

### **1. Objectives**

- a) The primary objective of the Audit Committee is to assist the Board to fulfil its responsibilities in relation to financial reporting, financial risk management, management of the external and internal audit functions and other matters as determined by the Board.
- b) The Audit Committee's primary role is to:
  - i) review and provide oversight over the Company and its controlled entities (**Group**) financial and regulatory reporting systems and reviewing the integrity of such systems;
  - ii) review and provide oversight over the Group's internal controls and management of risk;
  - iii) review the independence of the Internal Auditor and External Auditor as well as overseeing the audit processes, including addressing issues arising;
  - iv) review the effectiveness of the Group's systems for monitoring compliance with applicable laws and regulations as well as the Group's internal policies;
  - v) report significant or material risks over which the Audit Committee has oversight to the Board; and,
  - vi) review the systems adopted by the Group to embed an ethical culture throughout the Group.
- c) The Audit Committee must report to the Board and provide such advice and recommendations as it sees fit on matters relevant to this Charter in order to facilitate decision making by the Board.

### **2. Membership**

- a) The Audit Committee will comprise of:
  - i) only Non-Executive Directors;
  - ii) an independent (as assessed by the definition applicable to the Company) Committee Chairperson who is not the Chairperson of the Board; and
  - iii) at least three members.
- b) Members of the Audit Committee must have an appropriate mix of skills, experience and qualifications. All members must be financially literate.
- c) The Board will determine the composition of the Audit Committee.
- d) Members of the Audit Committee may be removed by the Board at any time and membership terminates automatically if the member ceases to be a Director of the Company.
- e) The Audit Committee Chairperson will be appointed by the Board from time to time, and if they are not available in any given meeting, a Chairperson for the meeting may be appointed by the members present at that Audit Committee meeting.

### **3. Authority**

- a) The Audit Committee has the authority to conduct any activities required to fulfil its role and may retain, at the Company's expense, such independent professional advice as it considers appropriate from time to time in the performance of its role.
- b) The Audit Committee is authorised to seek any information it requires from any officer or employee of the Group and all such officers and employees are directed to co-operate with any requests made by the Audit Committee.
- c) The Audit Committee is authorised to seek any information it requires from the Internal Auditor and External Auditor, with or without the presence of management.
- d) The Audit Committee is authorised to approve non-audit services provided by the External Auditor.
- e) The Audit Committee may resolve any disagreements that may arise between management and Internal Auditor/External Auditor.
- f) The Audit Committee may form and delegate authority to sub-committees comprised of one or more members. Any such sub-committee will have the full power and authority of the Audit Committee, subject to the terms of its delegated authority.

### **4. Meetings**

- a) The Audit Committee will hold at least four meetings per year.
- b) A simple majority of Audit Committee members will constitute a quorum.
- c) Any decisions required shall be made by simple majority vote of members attending and entitled to vote.
- d) Meetings of the Audit Committee may be held face-to-face or through any technological means by which members can participate in a discussion.
- e) The Audit Committee may invite other persons to attend its meetings as it sees fit. Persons who may usually be invited are the:
  - Chief Executive Officer (CEO);
  - Chief Financial Officer (CFO);
  - Company Secretary;
  - Internal Auditor; and
  - External Auditor.

These persons may take part in the business of, and discussions at, the meetings but have no voting rights.

- f) The Audit Committee Chairperson may call a meeting at any time and will call a meeting if so requested by any member of the Audit Committee, by the Internal Auditor, External Auditor or by the Chairperson of the Board, the CEO or CFO.
- g) The Company Secretary is responsible for keeping and circulating minutes. Copies of the approved minutes are to be forwarded to the Board.
- h) The Audit Committee will meet at least once annually with the Internal Auditor and External Auditor, in the absence of management, and on any other occasion during the year as requested by either the Audit Committee, the Internal Auditor or the External Auditor.

### **5. Conflict of Interests**

Audit Committee members are required to disclose any conflict of interests (including material personal interests) at the commencement of each meeting. Standing conflicts of interests need not be disclosed once they have been noted as standing conflicts by the Audit Committee (unless the nature or extent of the conflict materially increases). Members/invitees with real or perceived conflicts of interests will be excused from Audit Committee discussions on the relevant issue.

## 6. Responsibilities

In performing its roles, the Audit Committee is responsible for the following:-

- a) Accounting Practices and Financial Statements
  - i) review all financial statements and other financial information regarding the Group's financial status or related matters prior to their public release including the annual, half year and quarterly financial statements;
  - ii) review, with management, significant accounting and financial reporting matters raised by internal and external audit;
  - iii) review Group accounting policies;
  - iv) review procedures in place to ensure the Group is in compliance with legal and regulatory obligations;
  - v) review related party transactions and considering the adequacy of the disclosure of those transactions in the financial statements; and
  - vi) review the controls and processes supporting the regulatory reporting certifications of the CEO and CFO.
  
- b) Internal Controls
  - i) evaluate the adequacy and effectiveness of the Group's internal control systems, including information technology security and controls;
  - ii) review the scope of Internal Auditor and External Auditor's review of internal controls;
  - iii) review the findings from internal/external audits, the results of management's investigations and monitoring remedial action taken by management; and,
  - iv) review the frequency in which the importance of internal controls and the management of risk is communicated to employees.
  
- c) Risk Management
  - i) review and provide oversight of the financial and business risk management policies of the Group and monitor management's responses and actions to correct any noted deficiencies;
  - ii) monitor potential conflicts of interest;
  - iii) evaluate the Group's exposure to fraud;
  - iv) obtain regular updates from management and the Company's legal counsel on compliance matters;
  - v) review the impact of significant transactions outside the Group's normal business and assessing how that may impact risk; and,
  - vi) review the adequacy of insurance coverage.
  
- d) External Audit
  - i) recommend to the Board the selection, appointment and remuneration of the External Auditor;
  - ii) review the annual engagement, audit plan and scope of the External Auditor;
  - iii) review the performance of the external audit at least annually and in any event prior to the annual general meeting of the Company;
  - iv) discuss issues arising before the interim and final results, and any matters the External Auditor may wish to discuss;
  - v) review reports prepared by external audit and management's response;
  - vi) review all representation letters signed by management and external service providers; and
  - vii) periodically assess the External Auditor's independence.
  
- e) Internal Audit

- i) review the internal audit plan for adequacy;
  - ii) review internal audit reports;
  - iii) appoint and remove the internal auditor; and
  - iv) review and assess the Internal Auditor's functional independence of the External Auditor and management.
- f) Other Responsibilities of the Audit Committee
- i) perform other oversight functions as requested by the Board;
  - ii) provide oversight of the internal and external audit programs to maximise effectiveness and avoid duplication;
  - iii) identify and direct any special projects or investigations, as needed; and
  - iv) review corporate policies of the Group.

## **7. Reporting**

- a) The Audit Committee reports to the Board.
- b) The Audit Committee must:
  - i) regularly update the Board about its activities and make appropriate recommendations;
  - ii) report matters to the Board which may significantly impact the financial condition or affairs of the business; and,
  - iii) provide the Board with a copy of the minutes from each of its meetings.

## **8. Relationship with External Auditors**

- a) The External Auditors have an unrestricted right to discuss any issues they deem necessary with the Audit Committee, or if deemed appropriate by the External Auditors, with the Board.
- b) There will be a mandatory period of 2 years following resignation from an audit firm before a former partner who was directly involved in the audit of the Group can become a Director or take a position with the Group involving responsibility for fundamental management decisions.
- c) The Audit Committee will monitor the number of former employees of the External Auditor currently employed in senior positions in the Group and assess whether this impairs (or appears to impair) the auditor's judgment or independence in respect of the Group.
- d) The lead audit partner will be required to rotate off the audit when required by audit independence rules and applicable law.
- e) Any outsourced internal audit functions will be provided by a firm other than the external audit firm.

## **9. Relationship with Internal Auditor**

- a) The internal auditor reports functionally to the Audit Committee and administratively to the CFO/CEO.
- b) The internal auditor has an unrestricted right to discuss any issues he/she deems necessary with the Audit Committee, or if deemed appropriate, with the Board.
- c) The Audit Committee will perform annual assessment of the performance, independence and objectivity of the internal audit function.
- d) The Audit Committee will make recommendations as to the role and scope of the internal audit function.
- e) The Audit Committee will ensure internal audit is allocated sufficient resources for completing the approved work plan for each period.

## **10. Review of Audit Committee Performance and Charter**

- a) The Audit Committee will institute a process to review their performance against the content of this Charter annually.
- b) The Audit Committee will review this Charter annually to provide assurance that it continues to remain consistent with the objectives and responsibilities assigned by the Board. Any changes are to be submitted for approval from the Board.
- c) The Audit Committee Charter will be made publicly available on the Company's website.

## **11. Non-Audit Services**

- a) The appointed External Auditors may be permitted to provide non-audit services where their detailed knowledge of the Group's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. The External Auditors shall not provide services which are considered to be in conflict with the role of the statutory auditor or legal requirements.
- b) Permitted non-audit services include US compliance and advisory work, tax compliance, tax planning and tax advice and grant audit work. Prohibited non-audit services include bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, fairness opinions etc, actuarial services and internal audit outsourcing activities.