

AUDIT AND RISK COMMITTEE CHARTER

1. Introduction

The Audit and Risk Committee Charter ('Charter') sets out the composition, role and responsibilities of the Audit and Risk Committee (the 'Committee'). The Committee is a committee of the Board of Directors (Board) of MANUFACTURING INDUSTRY SKILLS ALLIANCE LTD ('the Manufacturing Alliance' or the 'Company').

2. Purpose

The Committee assists the Board by monitoring the implementation of Board policy and making recommendations to the Board in respect of matters for which it is responsible.

The Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Committee will also oversee:

- (a) the effectiveness of the Company's internal controls.
- (b) the oversight of any financial investments and policy of financial investments
- (c) an effective independent audit process, including approving the appointment and assessing the performance of the external and internal (if so appointed) auditor.
- (d) dependable and timely fiscal management and corporate reporting.
- (e) the effectiveness of the Company's risk management framework; and
- (f) maintenance of effective systems of internal monitoring and accounting, financial and operational controls.

3. Role of the Committee

The Committee's primary functions are to:

1. Review the integrity of the Manufacturing Alliance's financial information and systems, internal and external reporting.
2. Review the internal controls, policies and procedures that the Manufacturing Alliance uses to identify and manage business risks.
3. Review the external auditor's annual audit of the financial statements.
4. Review and assess the external auditors' activities, scope and independence.
5. Review and assess the internal auditors' (if so appointed) activities, scope and independence.
6. Review the management process for the identification of significant business risks and exposures (including fraud), and review and assess the adequacy of management information and internal control structures.
7. Obtain regular updates from management on matters that may have a material impact on the company's activities.
8. Communicate with specified external stakeholders with respect to its role. External stakeholders are current and potential external auditors and internal auditors (if so appointed) as well as parties nominated by the Board.
9. Communicate with the Manufacturing Alliance's financiers, bankers and external financial advisors with respect to ongoing financial facilities and investments.
10. Review any reports of misconduct made in accordance with the Company's Whistleblower Protection Policy.

The existence of the Committee does not diminish the Board's responsibility to ensure the integrity of the financial reporting and to manage risk.

4. Key Responsibilities of the Committee

4.1 Financial Reporting

The duties of the Committee with respect to financial reporting are:

1. Making a recommendation to the Board as to whether the Company's financial statements, in the Committee's opinion, reflect a true and fair view of the financial position and performance of the Company.
2. Reviewing financial statements, including adherence to accounting standards and policies as well as the requirements of the Corporations Act 2001, or other regulatory body reporting requirements.
3. Assessing significant estimates and judgments in financial reports by asking management about the process used in making material estimates and asking the external auditors the basis for their conclusions on the reasonableness of management's estimates.
4. Reviewing significant financial reporting issues, including complex or unusual transactions; highly judgmental areas; and recent professional and regulatory announcements and understanding their effect on the financial report.
5. Reviewing with management and the external auditors the results of the audit, including any difficulties encountered.
6. Reviewing management processes supporting compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the Company of financial and non-financial information, including ensuring the information does not conflict with the financial statements and other documents.

4.2 Risk Management

The Committee shall consider and use its reasonable endeavours to:

1. Maintain an up-to-date understanding of areas where the Company is, or may be, exposed to risk and compliance issues and check that management is effectively managing those issues, such as:
 - a) non-compliance with laws, regulations, standards and best practice guidelines including employment, environmental and trade practice laws.
 - b) litigation and claims.
 - c) fraud, theft or other breakdown of the entity's internal controls; and
 - d) relevant business risks not dealt with by other Board committees.
2. Examine and evaluating the effectiveness of the internal control system with management, external and internal (if so appointed) auditors.
3. Receive and consider reports on risk management and compliance programs and performance against policy and strategic targets.
4. Make recommendations to the Board on the appropriate risk and risk management reporting requirements.
5. Examine any matters referred to it by the Board.
6. Review products that are developed by the Manufacturing Alliance in the normal course of business that require a position on risk as part of the decision-making process.
7. Receive reports from Management on the internal control structure, risk management systems and fraud detection systems.
8. Overseeing Management's control framework to manage and mitigate cyber security and data risks.

9. Assessing the adequacy of the Company or any of its associated organisations' disaster recovery management plans.
10. Reviewing the credit risk policies and actions taken for material non-payments by creditors.
11. Ensuring that Management has implemented effective processes for the identification of areas of material business risk.

4.3 External Auditor

The Committee's duties include to:

1. Make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the external audit provider.
2. Review and approve the external audit plans, including identified risk areas and any additional agreed-upon procedures, and the annual engagement letters of the external auditor, including payment of annual fees and variations to approved fees.
3. Monitor and note compliance by the external auditor with the independence requirements imposed by the Corporations Act 2001. Receive and review the auditor's independence declaration to be provided to the Directors by the external auditor pursuant to section 307C of the Corporations Act 2001.
4. Monitor and critique management's responsiveness to the external audit provider's findings and recommendations – determine if there have been any significant disagreements with management (irrespective of whether they have been solved).
5. Provide the opportunity for Committee members to meet with the external audit provider without management personnel being present at least once a year.
6. Advise the Board on the rotation of the external audit provider.
7. Approve rotation of partners of the external auditor.
8. Implement a process for approval of all audit and non-audit services provided by the external auditor (who are not to be appointed to undertake any non-audit assurance services that may impair the external auditor's judgment or independence in respect of the Company).

4.4 Responsibilities with respect to related party transactions

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

4.5 Compliance

The Committee is responsible for reviewing and monitoring the:

1. Review the adequacy and effectiveness of the Company's policies and procedures which relate to risk management and compliance and reviewing the completeness and accuracy of the Company's principal corporate governance practices.
2. Review the Company's compliance plan with legal and regulatory requirements.
3. Review the risk management reporting from Management for the Committee.
4. Review the Corporate Governance Policies prepared and managed by the Strategic Industry Taskforce.
5. Review the insurance program for the Company; and
6. Ensure there are appropriate risk management and internal control processes to mitigate material risks.

5. Composition and Operation of the Committee

5.1 Appointment, Skills and Competencies

The Audit and Risk Committee is a committee of the Board.

The Board shall nominate and approve all appointments to the Committee, and the appointment of the chair.

The Committee will have at least three members, all of whom are Independent Directors, and otherwise be comprised of a majority of Independent Directors and be chaired by an Independent Director, who is not the Chair of the Board.

For the Committee, the following applies:

- Composition of the Committee is reviewed annually following the AGM.
- The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.
- The duties and responsibilities of a member of the Committee shall be in addition to those duties set out for a Director of the Board.
- All Committee members must be financially literate. It is appropriate that members of the Committee have a range of diverse backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of the Company.
- At least one member of the Committee should have accounting or related fiscal management expertise and at least one member should have a detailed understanding of the industry in which the Company operates.
- New members appointed to the Committee are required to undertake a formal induction. The induction includes understanding the Workplan, reviewing prior year's annual report, understanding this Charter and understanding the role played by external and internal (if so appointed) auditors.

The Company will assist the Committee in maintaining appropriate financial literacy, and the Manufacturing Alliance is responsible for providing new members with an appropriate induction program and educational opportunities, covering accounting principles and procedures, current accounting and risk management issues pertinent to the company, and other resources, as reasonable requested by the Committee.

5.2 Performance Evaluation

To ensure that the Committee is fulfilling its stewardship duties to the Board, the Committee will:

- Review, at least annually, the Committee Charter and recommend to the Board any appropriate amendments for approval.
- Review the annual work plan incorporating any changes in the Charter.
- With the inclusion of the Board, conduct an annual assessment of its performance against its duties and responsibilities and provide a report of the findings to the Board.

5.3 Meetings

The Committee will meet at least four (4) times annually and additionally as required.

A quorum will be at least two directors of the Committee.

In the Chair's absence from a meeting, the members of the Committee present at the meeting will select a chair for that meeting.

Meetings of the Committee may be held face-to-face or by any technological means by which members can participate in a discussion.

The notice and agenda of the meeting will include relevant supporting documentation as appropriate.

Committee members are required to:

- (a) disclose any actual, potential or perceived conflicts of interest they have in relation to affairs of the Committee to the other members of the Committee; and

- (b) must not:
- (i) be present while any matter which relates to their conflict of interest is being considered at the meeting; or
 - (ii) vote on the matter,
- unless those Committee members who do not have a conflict of interest in the matter have passed a resolution that:
- identifies the Committee member;
 - the nature and extent of their conflict of interest; and
 - states that those Committee members are satisfied that the interest should not disqualify the Committee member from voting or being present.

The Committee may invite other people to attend as it sees fit and consult with other people or seek any information it considers necessary to fulfil its responsibilities, including but not limited to the Chief Executive Officer and the Company Secretary.

Non-Executive Directors who do not form part of the Committee may also attend Committee Meetings.

The chair of the Committee will communicate the decisions of the Committee to the Board after each meeting within a reasonable period.

5.4 The Chair

The Board will appoint the Chair of the Committee. The Committee Chair must be an independent Director who is not Chair of the Board.

Should the Committee Chair be absent from a meeting and no acting Chair has been appointed, the members of the Committee present at the meeting shall choose one of the other members of the Committee to chair that particular meeting.

5.5 Authority

The Board has authorised the Committee, within the scope of its duties and responsibilities set out in this Charter to:

- Perform the activities required to address its responsibilities and make recommendations to the Board.
- Resolve any disagreements between management and the external auditor, with areas of significant disagreement being advised to the Board.
- Subject to the agreed protocol:
 - (i) Require the attendance of any company manager or staff member at meetings, as appropriate.
 - (ii) Have unrestricted access to management, employees and information it considers relevant to its responsibilities under this Charter.
 - (iii) Have direct access to the external and internal (if so appointed) auditors.

The Committee will meet with external auditors, in the absence of management, as often as required, but not less than once a year.

The Committee has the power to engage any independent expert that it considers necessary or appropriate to help it fulfil its duties. Costs associated with these investigations will be borne by the Company.

5.6 Secretary

The Company Secretary for the Company will act as secretary for the Committee.

The Secretary, or a person nominated by the Committee, is responsible for taking minutes of each meeting and distributing them to Committee Chair as soon as practicable after the close of the meeting. The minutes should ordinarily be included in the papers for the next full Board meeting after each Committee meeting.

6. Reporting to the Board

The Committee will update the Board from time to time and make relevant recommendations in relation to matters arising for consideration by the Board.

The Committee Chair will provide an oral report to the Board should a Board meeting be scheduled before the minutes can be prepared and circulated. The Chair should report on the proceedings of the Committee meeting, the outcomes and recommendations and any other relevant issues.

7. Access

The Committee has the right to:

- (a) access all books, records and documents for the Manufacturing Alliance; and
- (b) appoint and engage independent legal or external risk management advice in relation to its duties, subject to the prior approval on expenditure by the Chair of the Board (which may not be unreasonably withheld); and
- (c) access the appropriate internal resources to perform its duties.

8. Voting

Any matters requiring a decision will be decided by a majority of votes of members present. The Chair of the Committee will not have a casting vote.

9. Review of Charter

The Committee will review the Charter at least annually and recommend to the Board any changes for approval.

The Charter may be amended by resolution of the Board.

10. Public Disclosure

The Board will disclose to the Members of the Company the relevant qualifications and experience of the members of the Audit and Risk Committee. This will occur each time there is a change in membership to the Committee.

At the end of each reporting period the Board will disclose to the Members of the Company the number of times that the Audit and Risk Committee met throughout the reporting period and the individual attendances of the members at those meetings.

Adopted by the Board on 15th December 2022