



A.B.N. 64 063 656 333

**Vietnam Industrial Investments Limited**  
**POLICIES MANUAL**

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## **AUDIT COMMITTEE CHARTER**

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee comprising of at least three (3) members. All members of the Audit Committee must be non-executive directors and should consist of a majority of independent directors. The Chair of the Audit Committee is an independent non-executive director who is not the chair of the Board.

### **1. ORGANISATION**

This Charter governs the operations of the Audit Committee. The Committee shall review and reassess the Charter at least annually and obtain the approval of the Board of Directors.

#### **Membership**

The Committee shall be members of, and appointed by, the Board of Directors and shall comprise at least three non-executive directors that have diverse, complementary backgrounds and majority of whom are independent directors. The Chair of the Audit Committee is an independent non-executive director who is not the chair of the Board. In addition, the Committee Chair shall have leadership experience and strong finance, accounting and/or business background. All committee members shall be financially literate, or become financially literate within a reasonable period if time after appointment. Furthermore, at least one member shall have a reasonable level of 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. Majority of members should meet the definition of independent director as outlined in the ASX Corporate Governance Principles and Recommendations. The only compensation shall be directors' fees for services provided to the Audit Committee.

The Board will review the membership and charter of the Committee annually. Where necessary, the Board, upon the recommendation of the Committee, may by resolution, alter the responsibilities, functions or membership of the Committee. The Committee may also recommend to the Board the formal adoption of the revised charter for future operations of the Committee.

#### **Secretarial and Meetings**

The Company Secretary shall be appointed secretary of the Committee. The secretary, in conjunction with the Chairman, shall draw up an agenda which shall be circulated at least one week prior to each meeting to the members of the Committee and the auditors.

The Chair will call a meeting of the Audit Committee if so requested by any Committee member if so requested by any Committee member, senior management or auditors. Senior management and the auditors should be given notice of all meetings and have the right to attend and speak at the discretion of the Committee.



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*Meetings*

The Committee shall meet at least two times each year (ie. before completion of the half-yearly and annual accounts) with the auditors and appropriate members of management. The purpose of these meetings shall be to:

1. Review and if necessary have input into external audit plans.
2. Review and approve the half-yearly financial report.
3. Review of internal audit reports, if any
4. Update the external audit plans.
5. Review and approve the annual financial report.

Furthermore, the Committee shall meet in private sessions as and when required to assess management's effectiveness.

**Purpose**

The Audit Committee shall provide assistance to the Board of Directors in fulfilling its corporate governance and oversight responsibilities, as well as advise on the modification and maintenance of the Company's financial reporting, internal control structure, risk management systems, external audit functions and appropriate ethical standards for the management of the Company. A further purpose of the Committee is to check the ongoing independence of the Auditors. In doing so, it is the responsibility of the Committee to maintain free and open communication between 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.

**2. DUTIES AND RESPONSIBILITIES**

**Understanding the Business**

The Committee shall ensure it understands the Company's structure, controls and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

**Financial Reporting**

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board.

The Board of Directors are ultimately responsible for the integrity of the Company's financial reports including the appropriateness of the accounting policies and principles that are used by the Company. The external auditors are responsible for auditing the Company's financial reports and for reviewing the Company's unaudited interim financial reports.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee will take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behaviour. The following shall be the principle duties and responsibilities of the Audit Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.



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*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, including the Company's policies and procedures to assess, monitor and manage business risk and legal and ethical compliance programs with the objective of recommending enhancements and improving the quality of the accounting function.

The Committee shall meet separately and periodically with management, internal and external auditors to discuss issues and concern warranting Committee attention, including but not limited to their assessment 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. Further, the Committee shall review audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.

The Committee shall review the annual and half-year financial reports and other financial information (in consultation with management and external auditors) and the appropriateness of the accounting principles adopted by management in the composition and presentation of the financial reports and approve all significant accounting policy changes to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs.

The Committee shall review any regulatory reports submitted to the Company and monitor management's response to them.

*Appointment of External Auditors*

The Committee shall be directly responsible for making recommendations to the Board of Directors on the appointment, re-appointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of effectiveness and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting. In assessing which external audit firm to be engaged, factors such as reputation, knowledge of industry, resources, commitment and value added benefits to the Company should be considered. Further, if it is deemed necessary based on lack of actual perceived independence, the Committee shall request for the rotation of external engagement partners.

A Committee member or a delegated senior executive can approve all audit and non-audit services provided by the external auditors other than in the instance where the fee fall outside budget parameters and are in excess of \$30,000. In this instance, full Audit Committee approval must be received for such a transaction. Directors and the audit committee should ensure that audit fees are not set at a level that could lead to audit quality being compromised.

The Committee, Committee member or delegated senior executive 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 in respect of the Company.

*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.



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The independence of the auditor is important in promoting market confidence in the auditor's report on the financial report. Actual and perceived independence from directors and company management, as well as the objectivity of the auditor, underpins audit quality.

The directors' role in ensuring the independence of the auditor is illustrated by requirements in the Corporations Act for the directors' report to include:

- the auditor's independence declaration, and
- a statement about whether the provision of non-audit services by the auditor during a financial year is compatible with the general standard of auditor independence in the Corporations Act, and whether that statement is consistent with the advice of the audit committee (section 300(11B–11E)).

It is important for directors and the audit committee to consider the independence of the auditor both in recommending the appointment of auditors and on an ongoing basis.

*Scope of the External Audit*

The Committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas, significant problems that may be foreseen and any additional agreed-upon procedures. The Committee shall also discuss the impact of any proposed changes in accounting policies on the financial statements and review the nature and impact of any changes in accounting policies adopted by the entity during the year.

In addition, 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. Further, the Committee shall liaise with the external auditors to ensure their approach to the review/audit of the annual and half-year statutory accounts are conducted in an effective manner.

*External Auditor's Attendance at the AGM*

The Company should ensure that its external auditor attends its AGM and is available to answer questions from shareholders relevant to the audit. Notice of AGM includes Questions from Shareholders form. Shareholders are requested to send the completed forms seven (7) days before the AGM. These completed forms from shareholders are provided to the auditors to answer any audit related inquiries.

*Internal Audit*

*Appointment of Internal Auditors*

The Committee shall be directly responsible for making recommendations to the Board of Directors on the appointment, re-appointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of effectiveness and independence of the internal auditors, including resolution of disagreements between management and the auditor regarding internal controls. In assessing which internal audit firm to be engaged, factors such as reputation, knowledge of industry, resources, commitment and value added benefits to the Company should be considered.

The Committee, Committee member or delegated senior executive shall not engage the internal auditors to perform any non-internal audit services that may impair or appear to impair the internal auditor's judgement in respect of the Company.



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*Scope of the Internal Audit*

The Committee shall discuss with the internal auditors the overall scope of the internal audit, including governance guidance on risk management and control, identified risk areas, significant problems that may be foreseen and any additional agreed-upon procedures. Internal auditors shall provide assurance to the Audit Committee and the Board of Directors that the financial and operational controls designed to manage the VII Group's risks and achieve the VII Group's objectives are operating in an efficient, effective and ethical manner.

The scope of internal audit activity includes examining and evaluating the policies, procedures and systems which are in place to ensure: reliability and integrity of information, compliance with policies, plans, procedures, laws and regulations; safeguarding assets; economical and efficient use of resources; and accomplishment of established objectives and goals for operations or programs. Internal Audit may provide consulting services with the Company concerning issues related to internal controls, special investigations, and other areas of interest and concern.

The extent and frequency of internal audits will depend upon varying circumstances such as results of previous audits, relative risk associated with activities, materiality, the adequacy of the system of internal control and the resources available.

The Audit Committee may present Final Internal Audit Reports to the Board of Directors for review and implementation of the recommendations.

The Internal Audit and Risk Management processes are set out in the Company's Internal Audit and Risk Management Policy (Annexure 2).

The Company is in the process of establishing the internal audit function within the Group.

*Assessment of the Internal Audit*

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

- \* The audit firm's internal quality control procedures.
- \* Any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by an inquiry or investigation by government 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.
- \* All relationships between the external auditor and the Company (to assess the auditor's independence).

*Communications with Stakeholders*

The Committee shall be responsible for monitoring compliance with the Corporations Act and ASX Listing Rules.

The Committee shall review the half-year financial report and the preliminary final report prior to the filing of these with the ASX. The Committee is responsible for making the necessary recommendation to the Board for the approval of these documents. Also, the Committee shall discuss the results of the half-year review and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards. The Chair of the Committee may represent the entire Committee for the purposes of this review.



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*Other Duties*

The Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards.

The Committee is responsible for reviewing the draft financial statements and the audit report and to make the necessary recommendation to the Board for approval of the financial statements.

The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty. The Committee is responsible for reviewing reports on any major defalcations, frauds and thefts from the Company.

Before the Board approves the Company's financial statements for a financial period, the Committee should receive in each financial period the Chief Executive Officer and Chief Financial Officer declaration in writing to the Board that in their opinion, the Company's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the Company's financial position and performance and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Committee is responsible for organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The Committee must report to the Board formally at the next Board meeting following from the last Committee meeting on matters relevant to the Committee's roles and responsibilities.

The Committee must brief the Board promptly on all urgent and significant matters.

**Effective Date: 1 January 2015**