

TITLE:

Audit and Risk Committee Charter

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Flight Centre Travel Group (FCTG)

Audit and Risk Committee Charter

Flight Centre Travel Group Limited's (**Flight Centre**) Audit and Risk Committee ("**the Committee**") supports and advises the Board in relation to the Flight Centre Group.

Committee's Role and Responsibilities – Audit

The Committee's role and responsibilities include:

- reviewing and making recommendations on the adequacy of Flight Centre's corporate reporting processes;
- reviewing Flight Centre's financial statements and making recommendations as to whether they reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of Flight Centre;
- assessing the appropriateness of any significant accounting estimates, judgements or choices in Flight Centre's financial statements;
- recommending the external auditor's appointment or removal;
- reviewing the auditor's independence and performance as well as the scope and adequacy of the audit;
- reviewing internal and external audit management letters to monitor management's remedies and to correct noted deficiencies;
- to help the Board oversee the risk management framework, including the determination of the scope of the internal audit function, the ratification of the appointment or removal and performance assessment of the Senior Managers of the Enterprise Risk team;
- making recommendations on the objectivity and performance of the Enterprise Risk team and other teams contributing to internal audit controls. Reviewing the company's published financial results;
- reporting to the Board on matters relevant to the Committee's role and responsibilities; and
- ensuring the timely adoption of and adherence to all relevant accounting policy changes.

Committee's Role and Responsibilities – Risk management

- reporting to the Board on the effectiveness of Flight Centre's risk, control and compliance framework and providing assurance on the preparation and review of Flight Centre's financial statements;
- considering advice from Enterprise Risk on whether Flight Centre is operating efficiently, effectively and in accordance with relevant laws and regulations; and
- scrutinising financial and other risks.

Committee's Powers

The Committee has the following powers and rights in connection with its role and responsibilities:

- right to obtain information;
- right to access management;
- right to seek explanations and additional information; and
- right to access internal and external auditors without management being present.

Committee Composition, Structure and Membership Requirements

The Committee will consist of at least three independent and non-executive directors with a working understanding of finance and accounting practices. At least one member will have relevant qualifications and experience (that is, a qualified accountant or other finance professional with experience of financial and accounting matters). Furthermore, at least two members will have an understanding of the industry in which the entity operates.

The Committee will be chaired by an independent chair, who is not the chair of the Board.

The Committee members are permitted to invite senior executives or independent advisors to attend upon approval of the Chairman.

Meetings

Committee meetings will occur at least three times a year and must be held:

- to review the half year and full year audited financial statements;
- to approve the annual internal audit plan;
- to review progress of the internal audit plan; and
- to review the risk assessment,

and at other times as required.

The Chairman will call a meeting upon request by any Committee member, Chief Financial Officer or external auditors.

Minutes of the Committee meetings are to be taken by the Company Secretary (or delegate).

Reporting

The Chairman will report findings and recommendations to the full Board in conjunction with the minutes of the Committee meeting being circulated to the full Board. The report will contain all matters relevant to the Committee's role and responsibilities, including:

- assessment of whether external reporting is consistent with the Committee's information and knowledge and is adequate for shareholder needs;
- assessment of the management processes supporting external reporting;
- procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- recommendations for the appointment or, if necessary, the removal of the external auditor; and
- assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Audit and Risk Committee is satisfied that provision of those services has not compromised the auditor's independence.

Internal Audit Charter

Objectives

Internal audit supports management's business objectives and the Committee's need for overall assurance on the quality and cost effectiveness of internal controls.

The primary objective of the internal audit function is to assist management to achieve its objectives through advice on risk management and internal control practices. Internal control is a management process designed to provide reasonable assurance regarding the achievement of the following objectives:

- the reliability and integrity of information;
- compliance with policy, plans, procedures, laws and regulations;
- the safeguarding of assets;
- effective and efficient use of resources; and
- the accomplishment of established objectives and goals.

Importantly, an appropriate control environment is necessary for systems of internal control to be effective. The control environment elements include integrity, ethical values, management style and structure, authority and responsibility, human resources policies and practices as well as competence of personnel.

Responsibilities

Internal audit is responsible for evaluating controls relevant to risks, developing priorities and recommending procedures that will ensure effective internal control. This will include:

- conducting an independent review of management control systems and practice as a basis for identifying ways of improving efficiency, effectiveness and minimising financial risks;
- reviewing the adequacy of systems and procedures established by management to safeguard assets and making appropriate recommendations for improvement;
- appraising the adequacy, integrity, security, reliability and usefulness of management information systems and computer systems;
- helping to generate an awareness of risk management effective control techniques with a commitment to using them throughout the organization; and
- co-operating in providing a range of professional internal consultancy services to management.

Annual Internal Audit Plan

An internal audit plan will be prepared in consultation with management, Enterprise Risk and the Committee and put before the Committee for approval each year.

The plan will be based on a risk assessment and will be the key driver of audit activity throughout the year and clearly sets out the internal audit projects, tasks, resources, responsibilities and deadlines, including the communication and co-ordination framework. The plan forms the basis of project management and performance measurement for the internal audit function.

Prior to the commencement of each audit project, a briefing meeting with management will be conducted to agree the detailed scope of each audit project. A project plan is prepared for each audit area in consultation with management.

Annual Audit Reporting

Audit reporting and recommendations will reflect a good understanding of the business and provide an intelligent analysis of the issues. The following reports will be provided:

Audit Report – on completion of the audit fieldwork a closing meeting will be held, where a draft audit report is discussed. This report must be formally responded to in writing within 1 week of the close meeting (unless otherwise agreed).

Audit and Risk Committee Report – this report is prepared prior to all Committee meetings, and provides a summary of the audit activity conducted in the previous period, significant audit findings, areas of focus in the coming period and any other matters that the Enterprise Risk team considers appropriate for inclusion.

Quality and Skills

The internal audit function should ensure that the team's skills are developed and maintained through:

- re-skilling and training (e.g. in complex technical areas, in the use of technology, implementing best practice and in developing inter-personal skills such as communication);
- techniques such as benchmarking to identify and adopt appropriate best practices;
- the engagement of external specialists as and when necessary and cost-effectively to meet changing business needs; and
- developing and monitoring appropriate internal audit performance measures, including mechanisms for continuous improvement.

The internal audit team shall respect the confidentiality of information acquired in the course of their work and must demonstrate objectivity and professionalism, including applying the Code of Ethics, Standards and Guidelines of the Institute of Internal Auditors, Institute of Chartered Accountants in Australia and the Australian Society of Certified Practicing Accountants.

Independence

For the internal audit function to fulfil its responsibilities, it is essential that it is independent of the activities it audits and reviews. Internal audit is independent when it carries out its work freely and objectively, and derives its independence from the Committee to which it has unrestricted access.

Internal audit also has unrestricted access to all the records, personnel, property and operations of Flight Centre with due responsibility for safekeeping and confidentiality.

Definitions

In this policy:

Term	Definition
Board	means the board of Directors of Flight Centre.
Director	means a director of Flight Centre.
Flight Centre or Company	means Flight Centre Travel Group Limited ACN 003 377 188.
Flight Centre Group	means Flight Centre and any subsidiary or related body corporate.

This policy was adopted by the Board at the meeting of 17 October 2014.

Policy Title:

Audit and Risk Committee Charter

Date:

17 October 2014

Approved:

Graham Turner, Managing Director

David Smith, Company Secretary