

Charter of Responsibilities of the Audit Committee

Introduction

The Audit Committee (“AC”) is a committee of the Board of Directors and is subject to the control and direction of the Board.

Membership

The membership of AC shall consist of a minimum of three non-executive directors who shall be independent. The Chairperson of the Board shall not be appointed as the chairperson of the AC. The Managing Director and the Finance Director shall normally attend the meeting of the AC but with observer status only.

In addition, the AC shall include members who are all financially literate (i.e. able to read and understand financial statements), at least one member who has financial expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters), and at least one member who understands the industry in which the Wattyl Group operates. The AC may have in attendance such members of management or others, as it may deem necessary.

The secretary of the committee meeting will be the Company Secretary and all proceedings will be minuted. The minutes would ordinarily be included in the papers for the next full Board meeting held after the Committee meeting.

The Committee regularly reviews and evaluates its performance, including the performance of both individual members and the Committee as a whole.

Quorum

Two members of the Audit Committee shall constitute a quorum for meetings of the AC.

Functions and Responsibilities

The AC’s primary functions are to:

- ◆ act as an interface between the Board of Directors and the external auditors and in particular to:
 - review the periodic statutory accounts and reports of the Company with the external auditors;
 - review the external audit plan;
 - review reports prepared by the external auditors relating to the audit and their review of internal controls; and
 - review the independence of the external auditor
- ◆ provide the Board with an assessment of the external auditor’s performance and independence and the appropriateness of their costs;
- ◆ make recommendations for the selection, appointment, rotation or removal of an external audit partner;
- ◆ review with management, and report to the Board on, the preparation of the periodic statutory accounts and reports of the Company ;
- ◆ review the systems in place which are aimed at ensuring accounting records are properly maintained in accordance with statutory requirements and accounting policies comply with generally accepted accounting standards, and report to the Board on major weaknesses;



- ◆ monitor the procedures in place that are aimed at ensuring the Company is complying with the Corporations Act and the Stock Exchange Listing Rules;
- ◆ review the plan and activities of any Group Internal Audit Service;
- ◆ based on the work performed by any Group Internal Audit Service, review and report to the Board on the systems of control which management has established to effectively safeguard the assets, real and intangible, of the Company;

The AC shall report to the Board of Directors its findings and recommendations and does not have any executive powers.

The Finance Director will be responsible of ensuring that all actions agreed to by the AC are implemented.

Meetings

The AC shall determine the frequency of meetings but it would be expected that as a minimum meetings would be held at least four times per year.

At least twice per annum the members of the AC will meet with the Company's external auditors in the absence of Company employees and management.