

# OneSteel Limited Audit & Compliance Committee Charter

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## 1. COMPOSITION

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| <b>1.1 Members</b>           | Mr P G Nankervis (“Chair”)<br>Mr R B Davis<br>Mr C R Galbraith<br>Ms R Warnock  |
| <b>1.2 Invited Attendees</b> | Managing Director & Chief Executive Officer (“MD & CEO”)<br>Chief Financial Officer (“CFO”)<br>External Audit Engagement Partner<br>Internal Audit Engagement Partner |
| <b>1.3 Secretary</b>         | Company Secretary   |
| <b>1.4 Management</b>        | Management may attend meetings of the Audit & Compliance Committee (“Committee”) by invitation  |

## 2. TERMS OF REFERENCE

### 2.1 Role and Responsibilities

The OneSteel Limited Audit & Compliance Committee (“Committee”) is to:

- 2.1.1 review and report to the OneSteel Limited (“Company”) board of directors (“Board”) on half yearly and full year financial statements prior to their approval and external release;
- 2.1.2 review all significant accounting policy changes and where appropriate recommend them to the Board;
- 2.1.3 monitor and report to the Board on the framework, adequacy and security of internal control, accounting and management information systems;
- 2.1.4 monitor the working relationship between the internal and external audit functions;
- 2.1.5 ensure adequate audit coverage for all major financial risks of the Company and report to the Board on any issues arising from this coverage;

- 2.1.6 review internal and external audit reports to ensure that, where significant deficiencies in controls or procedures have been identified, management takes prompt remedial action and reports to the Board as appropriate;
- 2.1.7 review the full year and half yearly financial statements with the external auditors, review whether audits have been conducted effectively and report to the Board as appropriate;
- 2.1.8 provide an open communication channel between internal and external auditors and the Board;
- 2.1.9 review, and in the case of external audit, agree fees and recommend to the Board on their appointment or replacement. For internal audit, recommend to the Board their appointment;
- 2.1.10 monitor the engagement of the external auditor to undertake Non-Audit Services where the Company will accept the auditor's performance of the engagement in accordance with the Company's policy on Audit Independence and Non-Audit Services;
- 2.1.11 assess the performance and independence of external auditor and whether independence of this function has been maintained having regard to the Company's policy on Audit Independence and Non-Audit Services
- 2.1.12 approve the internal audit risk assessment and related internal audit plan;
- 2.1.13 assess the performance and (where appropriate) the independence of the internal auditor;
- 2.1.14 monitor and report to the Board on relevant tax and legal matters including tax compliance procedures;
- 2.1.15 review major capital project Post Implementation Reviews (PIR's);
- 2.1.16 monitor funding commitments and availability;
- 2.1.17 assess and review the business risk process including major customer contracts;
- 2.1.18 review major non-financial regulatory matters through the use of a compliance monitoring reporting regime which covers the following areas of exposure:
  - asset protection including insurance prior to Board approval;
  - trade practices;
  - conflicts of interest;
  - discrimination and harassment;
  - ethical standards; and
  - review adequacy of processes to ensure compliance with new or emerging government reporting legislation in relation to carbon schemes and review the adequacy of controls, risk processes and reporting with respect to any related permits; and

## **2.2 Reporting**

The Committee reports to the Board on all matters relevant to its role and responsibilities.

## **2.3 Meetings**

The Committee meets at least four times each year with the February and August meetings focusing predominantly on audit issues associated with the half yearly and full year financial statements. The other two meetings are usually held in May and November and have a strong emphasis on financial compliance issues.

The Committee meets at least once each year with the internal and external auditors excluding management.

## **2.4 Quorum**

Two members of the Committee constitute a quorum.

## **2.5 Calling of Meetings**

Meetings are called by the Company Secretary as directed by the Board or at the request of the Chair of the Committee.

## **2.6 Minutes**

Minutes of meetings of the Committee are kept by the Company Secretary and approved at the next Committee meeting. Minutes are presented at the next Board Meeting.

## **2.7 Annual Review and Board Approval**

The Audit & Compliance Committee reviews the Charter ("Charter") annually and recommends it to the Governance & Nominations Committee. The Governance & Nominations Committee recommends the Charter to the Board.

The Charter was last reviewed by the Committee on 4 May 2011, by the Governance & Nominations Committee on 3 August 2011 and by the OneSteel Limited Board on 15 August 2011.

# **3. AUDIT INDEPENDENCE AND NON-AUDIT SERVICES**

3.1 The external audit of the Company is governed by the following principles:

- external auditors must clearly demonstrate their independence;
- external auditors must not provide services which are in conflict with the role of an auditor unless Committee approval is obtained;
- the quality of the audit is reviewed annually;
- the lead audit partner is to be rotated at the end of a period no longer than five years;
- the appropriateness of putting the audit to tender is reviewed at the end of a period of no longer than five years; and

- services and fees provided by the external auditors are fully disclosed.

3.2 The process for applying the policy follows:

### **3.2.1 Independence Declaration**

The external audit engagement partner signs an annual declaration to the Board as to independence and conflicts. The notes and work papers kept by the external auditor are available to the Board.

### **3.2.2 Rotation**

The external audit engagement partner must spend no more than five years on the engagement, after which time he/she shall be replaced.

### **3.2.3 Quality Review**

The quality of the financial statements and notes, their preparation process and the audit process are evaluated each year by both the external auditor and management. Where appropriate, benchmarks are used to ensure objectivity and findings are presented to the Committee.

### **3.2.4 Audit Related Assignments**

The Company is at liberty to appoint the external auditor to perform audit related services. These can be approved by management, namely the MD&CEO or CFO, without further reference to the Committee.

### **3.2.5 Non-Audit Services**

Annually, management submits to the Committee for approval, a listing of all Non-Audit Services and Fees. For work not listed, pre-approval must be obtained from the Chairman of the Committee. Any individual amount over A\$250,000 must be approved by the Board.

Non-Audit Services must maintain all other areas of audit independence.

If, at the time of the annual submission, the Committee is of the view that the external auditor's independence may be impaired by the provision of Non-Audit Services, management will be asked to move to another service provider.

### **3.2.6 Reporting of Non-Audit Services and Fees**

Management reports to the Committee at each Committee meeting on the year to date costs and details of Non-Audit Services.

### **3.2.7 Financial Statement Disclosure**

The Company makes a full and comprehensive disclosure of all services and fees provided by the external auditor.