
AUDIT AND RISK COMMITTEE CHARTER

The Audit and Risk Committee (**Committee**) is a committee of the board of directors (**Board**) of Zip Co Limited (**Company**). This Charter sets out the composition, role, operations, and responsibilities of the Committee

1.1 Composition

The Committee should be of sufficient size, independence, and technical expertise to discharge its mandate effectively. The Board shall appoint the members to the Committee and may remove or replace the Committee chair and members by resolution. The Board reviews (with the assistance of the Nominations Committee). the composition of the Committee at least annually.

Where practicable, the Committee will consist of:

- Only non-executive directors.
- A majority of independent directors.
- A Chair who is an independent director, who is not the chair of the board; and
- At least 3 members.

The Committee members shall have the ability to read and understand financial statements, have familiarity with financial management and understand the key business and financial risks within the industries in which the Company operates. Preferably, at least one member should have relevant qualifications and experience through past employment in finance or accounting or other comparable roles.

The terms of appointment to the Committee include the following:

- The members may resign upon reasonable notice in writing to the Committee chair or the Chairman of the Board.
- A member may from time to time be immediately removed by notice in writing by the Committee chair or the Chairman of the Board; and
- The appointment as a member of the Committee is automatically terminated upon that member ceasing to be a director of the Company.

The Committee will appoint a Secretary to the Committee.

1.2 Role

The role of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to:

- Reviewing and monitoring the Company's financial reporting and related processes.
- the adequacy of the Company's systems of financial risk management and internal control framework.
- the external audit functions.
- monitoring and reviewing the system and effectiveness of the risk management framework which the Company has established. The system should identify, assess, monitor and manage operational, compliance and non-financial risks,

-
- determining the Company's 'risk profile' and for overseeing and approving the risk management strategy and policies, and internal compliance so the company is within the risk appetites set by the board

Although it is not possible to provide absolute assurance that all corporate risks will be fully avoided or even mitigated, the Committee should aim to minimise any adverse impact on the Company that may result from the occurrence of an identifiable corporate risk.

1.3 Operations

The Chair is responsible for the conduct of all Committee meetings.

The Committee is to meet as many times as required to discharge its duties, but at least four times per annum.

Committee members are expected to attend each meeting in person, via telephone or virtual technology.

The Chair will call a meeting of the Committee if requested by any member of the Committee, the Chair of the Board, the external auditor or the Chief Financial Officer.

External auditors are invited to attend Committee meetings, as well as representatives of management, as determined by the Committee.

A quorum of the Committee will comprise any two members.

All Directors who are not members of the Committee are entitled to attend Committee meetings and speak at Committee meetings.

A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each member of the Committee as soon as practicable prior to the date of the meeting. The notice will include relevant supporting papers for the agenda items to be considered.

Minutes of all meetings of the Committee are to be prepared by the Secretary, approved by the Chair of the Committee in draft and circulated to all members. The minutes of all meetings are to be kept and made available to the Board ahead of the next Board meeting following the Committee meeting. If required, the Chair of the Committee will provide a report on the Committee meeting at the next Board meeting.

1.4 Meetings of the Committee without Management

The Committee may meet with the auditors annually or more frequently, without management present, to discuss any aspect of the Group's financial position and performance and other matters falling within the Committee's responsibilities.

1.5 Access and Advisors

The Board authorises the Committee to:

- have unrestricted access to members of management, employees, external auditors and related information.
- seek advice from external consultants or specialists at the Company's expense where the Committee considers that necessary or appropriate, and
- ensure the attendance of Company officers and external parties at meetings as appropriate.

1.6 Powers of the committee

The Committee has the explicit authority to investigate any matters within its terms of reference as set out in the Committee's charter, with the resources it needs to do so and with the right of access to information including external professional advice if necessary.

1.7 Responsibilities

The Committee shall undertake the responsibilities below as well as organise, review and report as required on any special reviews or investigations deemed necessary by the Board:

Financial Reporting

- Review the Annual Report, yearly, and half-yearly financial reports, and associated investor materials, ensuring they are consistent with the Committee members' information and knowledge and provide a true and fair view of the financial position and performance of the Company. Review any matters raised on the financial reports by the Group's external auditor.
- Review and Recommend the Annual Report, yearly and half yearly financial reports to the Board for approval.
- Review managements position papers detailing areas where accounting judgements have been made that materially impact the financial statements and make recommendations to the Board.
- Review the disclosure of any unusual, non-recurring, complex or related party transactions and make recommendations to the Board. Review the integrity of periodic financial reports not audited or reviewed by an external auditor.
- Review the significant accounting policies adopted in preparing the financial reports ensuring they are appropriate and comply with applicable accounting standards and principles.
- Review any material changes in accounting or reporting requirements and ensure, where appropriate, they are reflected in the Company's financial reports, accounting policies and reporting practices. Oversee the Group's dividend and distribution policies regarding the amount, nature and timing of dividends and distributions to be paid Review the Group's financial budgets and forecasts where requested by the Board.
- Review the Company's systems for corporate reporting and disclosure, including the internal controls over these systems. Assess the adequacy and effectiveness of the systems and discuss with the Company's external auditors. Review management's representations in respect of the financial reports and recommendations to the Board in connection with the adoption of the financial reports.
- Assess the adequacy of representations by management as to the presentation of the financial reports.

Internal Audit

- Determine if an internal audit function is required and how the function should be structured and what role it performs.
- Where there is an internal audit function:
 - reviewing the internal audit charter and resources to ensure internal audit staff have appropriate access to complete the internal audit plan and that resourcing is adequate.
 - review and recommend the appointment or removal of the head of internal audit, ensuring he or she has direct access to the Committee Chair and the Chair of the Board.

-
- review and approve the scope and adequacy of the internal audit work plan ensuring it is aligned to the risk profile of the Group.
 - if internal audit services are outsourced, approving the terms of engagement in relation to those services.
 - review internal audit reports, including key findings and management's responses and monitor managements responsiveness to internal audit findings.
 - periodically meet with the head of the internal audit function without the other members of management being present.
 - assess the objectivity and performance of the internal audit function.

External Auditor

- Annually consider the appointment of the external auditors and make a recommendation to the Board of Directors regarding their appointment, re-appointment, removal and rotation of the audit engagement partner, where applicable.
- Review and approve the terms of engagement of the external auditor and fee for conducting the audit.
- Review and approve the annual audit plan, including scope, approach, and the identified risk areas.
- Review the findings of the external auditor and managements responses, monitor the implementation of any significant recommendations for improvements to strengthen internal controls and reporting systems.
- Review and, if appropriate, and not compromising the external auditor's independence, approve requests and fees for any non-auditing services to be performed by the external auditors where the fees for providing such a service is likely to exceed \$50,000. Be advised of any other services undertaken at the request of management that is beyond the scope of the audit engagement letter.
- Monitor and at the conclusion of each financial year evaluate the effectiveness, adequacy and independence of the external auditor.
- Obtain an annual declaration of independence from the external auditor.
- As part of the half year review and full year audit, meet with the external auditor without the presence of management to review the conduct of the audit, the quality of the financial information prepared by management and the approach to areas requiring material judgements.

Financial Risk Management

- Review and assess the adequacy of the Company's system of internal controls, policies and procedures for assessing, managing and monitoring financial risk and controlling its financial impact.
- Review the findings and recommendations of the external auditors, together with management's responses, in relation to any incident involving fraud or other break down of the entity's internal controls, policies and procedures.
- Review the Company's approach to the management of taxation matters, including tax governance and risk management.
- Assess the Company's global insurance program and make a recommendation to the Board,
- Review the due diligence reports, or summaries thereof, in relation to any material investment, divestment, acquisition, or joint venture and make a recommendation to the Board.

Risk Management

- Review the Groups risk management framework at least annually with a view to making a recommendation to the board to satisfy itself it continues to be sound and that the Group is operating with due regard to the risk appetite set by the board. As part of that review the Committee should also consider whether any changes should be made to the risk management framework or the risk appetite set by the Board and make any necessary recommendations for Board approval:
- Ensure risks are identified and monitored through a systematic review of the organisation and its operations within the framework of the Company's Risk Management Policy.
- Receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks.
- Ensure management's proposals and decisions are constructively challenged to ensure associated risks are fully understood and considered.
- Ensure there is an effective system of reporting and investigating any material incidences, breaches or excessive risks involving fraud or a breakdown of the risk controls and that the lessons learned from such incidents are reviewed.
- Ensure adequate policies and procedures have been designed and implemented to manage risks identified and that reports are received from internal audit on its reviews of the adequacy of those processes for managing risk.
- Ensure proper remedial action is undertaken to redress areas of weakness identified by the system of risk management and/or the Committee. Including recommendations to the Board in relation to changes that should be made to the Company's risk management framework or the risk appetite set by the Board.
- Ensure there is a system whereby the Chief Executive Officer and the Board are immediately notified of any information which might have a material effect on the price or value of the Company's securities, and that such information is released to the ASX in accordance with the requirements of the Company's disclosure policy and the ASX Listing Rules.
- Monitor management's performance against the entity's risk management framework, including whether it is operating within the risk appetite set by the Board.
- Ensure the annual report explains any departures by the Company from the Charter.

Operational and Compliance Risks

- promote and support an organisational culture that is committed to risk management through open communication and effective risk management leadership.
- implement a structured risk management training program to educate management and staff in the awareness of corporate risks and best practices in the management of corporate risks; reviewing the Company's main corporate governance practices as required under the ASX Listing Rules for completeness and accuracy.
- have oversight of the Company's approach to credit risk and the way in which credit risk exposures are managed.
- receive regular reports on the Company's funding, liquidity and interest rate risk.
- ensure there is adequate employee education and support to facilitate safety, security and good health in the workplace and monitoring of workplace safety.

-
- ensure that the Company operates in accordance with the terms of all licences and permits issued to it by any government body or any other authority.
 - ensure that the management of the Company pays due attention to ethical considerations in implementing the Company's policies and practices.
 - adopt procedures and policies for the improvement and preservation of the reputation of the Company; and
 - ensure that the Company has put appropriate insurance in place with regard to the insurable risks associated with the business of the Company.

Legal and Regulatory Compliance

- review and assess the effectiveness of the Group's compliance program in ensuring compliance with relevant legal and regulatory requirements, having regard to the Group's obligations in all jurisdictions in which it operates and to all licences under which it operates.
- review and assess the effectiveness of internal processes for ensuring compliance with the Group's policies and procedures and reviewing reports from management in relation to any material breaches of those policies and procedures.
- review reports prepared by management in relation to the Group's compliance with statutory, legal and other regulatory requirements and reporting any matters that may have a material impact on the Group's activities to the Board.
- obtain regular updates from the Group's legal counsel and other management regarding any material litigation, regulatory investigation, or material risks relating to the Group's compliance with legal and regulatory requirements; and
- review and assess and monitor the effectiveness of the Group's policies and procedures on continuous disclosure and report on these to the Board.

1.8 Review

Annually, the Committee will, undertake an evaluation of its performance and effectiveness, review its membership and this Charter and make recommendations to the Board. Any amendments to the Charter or membership are to be approved by the Board.

The evaluation will include a review to confirm that all activities listed in this Charter have been addressed, and this confirmation will be reported to the Board.

1.9 Administration -Disclosure of Interests

A member of the Committee must disclose any interest that they have in any matter under consideration.

1.10 Amendment of the Charter

This charter may be amended with the consent of a majority of members of the Committee and then approval by the Board.

Date of last review: 24 March 2021