

OBJECTIVE AND ROLE OF THE COMMITTEE

The objective of the Committee is to assist the Board of Directors to discharge its corporate governance responsibilities to exercise due care, diligence and skill in relation to the Company's:

- achievement of corporate goals within an appropriate framework of internal control and risk management;
- reporting of financial information to users of financial reports;
- application of accounting policies;
- maintenance of the independence of the company's auditors;
- financial management;
- internal control system;
- risk management & analysis;
- business policies and practices;
- compliance with the Company's constitutional documentation and material contracts;
- compliance with statutory occupational health and safety laws and regulations;
- compliance with applicable laws and regulations; and
- monitoring and controlling of business and other risk.

The Committee does not replace or replicate established management responsibilities and delegations or the reporting lines and responsibilities of internal audit or external audit functions.

Accordingly, its role is to:

- serve as an independent and objective party to review the financial information presented by management to the Board and the general public;
- ensure implementation and management of an Enterprise Wide Risk Management system;
- ensure identification, assessment and management of Cardno's significant risks;
- serve as an independent and objective party to review the efficiency and effectiveness of the information presented by management to the Board concerning risk management, quality management, clinical trials and occupational health & safety;
- oversee and appraise the quality of audits conducted by the Company's internal and external auditors;
- advise the Board of possible conflict of interest and/or loss of independence by the Company's internal and external auditors in respect of work proposed to be undertaken by the auditors
- maintain, by scheduling regular meetings, open lines of communication among the Board and the internal and external auditors to exchange views and information, as well as confirm their respective authority and responsibilities; and
- determine the efficiency and effectiveness of administrative operating and accounting controls used by the company.

MEMBERSHIP

The Committee will be appointed by the Board and shall consist of at least three members. In this regard:

- majority of members will be non-executive Directors of the Board;
- the Board shall appoint the Chairman of the Committee;
- the quorum for meetings of the Committee shall be two members;
- the Managing Director and Chief Financial Officer will attend by invitation; and
- the Company Secretary will act as Secretary to the Committee.

DUTIES AND RESPONSIBILITIES

The Committee shall consider any matters relating to the financial affairs of the Company and to the internal and external audit that it determines to be desirable. In addition, the Committee shall examine any other matters referred to it by the Board.

The main duties and responsibilities of the Committee are as follows.

1. Financial Integrity

The Committee will:

- Assess and enhance the adequacy and effectiveness of Cardno's systems of internal control surrounding key financial and operational processes by:
 - considering the reports and recommendations of internal and external audit;
 - considering the information provided by management;
 - monitoring the implementation of agreed recommendations in respect of internal controls; and
 - considering any other information requested by, or provided to, the Committee.
- Review the draft annual and half-yearly financial statements (and any half yearly or more frequent financial reports) of the Company prior to approval by the Board, focusing in particular on:
 - whether they are complete and consistent with information known to Committee members about Cardno;
 - reviewing the certification provided by the Managing Director and Chief Financial Officer on annual financial reports and review the processes that were used to reach the opinion provided in the certification;
 - whether the financial statements reflect appropriate accounting principles and significant changes in accounting policies and practices;
 - major judgement areas that need to be resolved (eg valuation of fixed assets, impaired loans, nature of provisions and reserves etc);
 - complex and/or unusual transactions;
 - proposed departures from accounting standards or other reporting requirements; and
 - significant audit adjustments and audit qualifications to accounts.

2. Statutory/Compliance

The Committee will:

- Ensure compliance with statutory requirements for financial reporting.
- Review the adequacy and effectiveness of Cardno's system for monitoring compliance with laws, regulations and Cardno's own policies and procedures in relation to key financial and operational controls and processes.
- Consider the effects on the Company of any new or proposed accounting practices, principles, developments, disclosure requirements and legislative or regulatory pronouncements.
- Obtain regular updates from management and Cardno's legal counsel and compliance officer regarding such compliance matters.

- Keep itself apprised of the latest developments, policies and trends in relation to financial matters, rules and regulations, insofar as they may affect Cardno or the markets in which Cardno does business.

3. Evaluation of Policies and Controls

The Committee will:

- Evaluate the adequacy and integrity of the accounting control system by reviewing written reports from the internal and external auditors and monitoring Management's responses and actions to correct any noted deficiencies.
- Evaluate the adequacy and effectiveness of the Company's administrative, operating and accounting policies through active communication with operating management and the internal and external auditors.

4. Audit Effectiveness

The Committee will:

- Recommend to the Board the appointment of external auditors and the payment of annual fees.
- Communicate the Committee's expectations to both the internal auditor and the external auditor.
- Review the audit plans of the internal and external auditors.
- Agree and periodically review the internal auditor's overall audit approach and plan, its audit approach in risk areas and its planned co-ordination with the external auditor, having regard to Cardno's risks
- Evaluate the overall effectiveness of the internal and external auditors through regular meetings with them.
- Ensure that no management restrictions are being placed on the internal and external auditors.

5. Independence of external auditors

The Company must comply with the requirements of the Corporations Act 2001 in respect of the independence of its external auditors, who are appointed as the result of a competitive tender process.

The Company expects that the requirements of Professional Statement F.1 Professional Independence issued by the Institute of Chartered Accountants and CPA Australia will be complied with to maintain the independence of its external audit function. Both the Company and the external auditors are required to ensure compliance with F.1 and to adopt a formal process for the rotation of the audit engagement partner.

The Company must not engage its external auditors for any project that would put the firm in the position of auditing its own work or that would otherwise be inappropriate for a firm expected to exercise fully objective and impartial judgment.

It follows then that the following types of services by the Company's external auditors are prohibited;

- Bookkeeping and related services;
- Appraisal or valuation services that involves the valuation of matters material to the financial reports and the valuation involves a significant degree of subjectivity;
- Management services of a decision-making, supervisory or prolonged (ongoing) monitoring nature;
- Broker-dealer services; and
- Legal services that are dealing with issues that could have a material impact on the financial statements.

The Company's external auditors are not prohibited from evaluating and making recommendations about control in its audit role.

Any proposal to engage the Company's external auditors for non-audit services requires pre-approval by the Committee where the fees are expected to exceed \$10,000. A full analysis of the total fees paid to external auditors, including a breakdown of fees for non-audit activities will be provided in the Annual Report.

6. Compliance with legal and regulatory obligations

The Committee will review all regular reports provided to the Committee by executive management covering areas of:

- Corporate Governance
- Quality Management Systems
- Regulatory Affairs
- Occupational Health & Safety

7. Enterprise Wide Risk Management System

The Committee will:

- Oversee the adequacy and implementation of the Company's enterprise-wide risk management policy, framework and plans for management of Cardno's significant risks.
- Develop and refine Cardno's enterprise-wide appetite for risk, in conjunction with the full Board.
- Monitor and assess Cardno's organisation-wide profile (within the context of Cardno's risk appetite), its exposure to significant risk and the adequacy of the identification of risk.
- Monitor, assess the adequacy of, and make recommendations on, risk management policies in relation to Cardno's significant risks.
- Assess and review reports received from the Operational Risk Management Committee and where appropriate make recommendations to the Board. In this regard the risk reporting received by the Committee from the Operational Risk Management Committee should be at the summary level and be focused on the Significant risks of Cardno. The Operational Risk Management Committee should filter the detailed day to day risk information from the reports and summarise to a suitable level for the Committee.
- Monitor and evaluate the effectiveness of the Operational Risk Management Committee.
- Act as a forum for discussion with the Operational Risk Management Committee of significant risk issues affecting Cardno. This process forms part of the governance process that ensures Cardno's risk management function operates effectively and efficiently.

8. Other

The Committee will:

- Review the Company's Treasury Management activities.
- Establish and periodically review a code of conduct and monitor the ethical behaviour of the Company and management to ensure compliance.
- Review external audits carried out on behalf of domestic and international regulatory authorities in respect of marketing the Company's products.
- Review the placement of the Company's insurance program and its alignment with the Company's risk profile.
- Identify any special projects or investigations deemed necessary.

9. No Executive Power

The Committee shall have no executive power with regard to its findings and recommendations.

REPORTING REQUIREMENTS

The Chair of the Audit, Risk & Compliance Committee will report to the Board on a half yearly basis. The report should cover the findings and recommendations of the Committee. The minutes of all Committee meetings shall be circulated to members of the Board.

COMMITTEE MEETINGS

Frequency

The Committee will hold at least Four (4) meetings per annum, or more as required, to fulfill its responsibilities. The Committee will also meet at the request of the Board, any other Director not a member of the Committee, the Managing Director, the Company Secretary or the Company's external auditor.

Quorum

A majority of members must be present to provide a quorum. A member may be present at a meeting in person or by telephone.

Agenda

Four days prior to each meeting, the secretary will circulate to members an agenda detailing the matters to be discussed and any relevant documentation.

In setting the agenda, there will be an emphasis on the most significant risks and threats to Cardno, within the scope of the Committee's responsibilities, and the ongoing evaluation of what is done to mitigate such risks.

Collective decisions

Decisions of the Committee shall be regarded as its collective decision or advice unless there is a material dissension, in which case a minority view will be recorded in the minutes of the meeting and placed before the Board.

Minutes

Minutes of meetings must be prepared and distributed to Committee members as soon as possible after the conclusion of the meeting and, subject to any agreed amendments, shall be confirmed as an accurate record of the meeting at the next subsequent meeting of the Committee.

Other attendees

The Committee chairperson may request a Cardno officer, internal auditors or other external parties to attend a meeting of the Committee. Further the chairperson may invite a representative of external audit to attend any meeting of the Committee and to present and comment on appropriate agenda items.

ETHICAL PRACTICES

Members of the Committee will, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity, independence and probity and not engage knowingly in acts or activities that have the potential to bring discredit to Cardno.

Members also must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties. Members must not use Cardno's information for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare and goodwill of Cardno.

Further, members must not publicly comment on matters relative to activities of the Committee other than as authorised by Cardno.

With respect to corporate governance, ensure that Cardno has implemented an effective code of ethics and whistleblowers policies/procedures.

EVALUATION OF COMMITTEE ACTIVITIES

Annually, the Committee chairperson shall facilitate the assessment of the performance of the Committee and take appropriate action in respect of areas where there is a perceived need for enhancement of its role, operational processes or membership.

RELATIONSHIP WITH INTERNAL AUDIT

Internal audit has its own internal audit charter. Pursuant to that charter, the internal auditors present their audit reports to the Committee.

The Committee will act as a forum for internal audit and oversee its planning, monitoring and reporting processes. This process forms part of the governance process that ensures that Cardno's internal audit function operates effectively, efficiently and economically.

In its review and evaluation of the internal audit function pursuant to clause 4, the Committee must review and advise Cardno as to the:

- Adequacy of the internal audit charter;
- Structure, qualification requirements and professional and ethical practices;
- Internal audit strategic and operational plans to ensure an optimum, cost effective audit coverage;
- Performance of internal audit relative to its annual audit plan; and
- Findings of internal audit and the actions proposed to be taken by management, including an assessment that the proposed solution is the most appropriate and cost-effective.

To the extent practicable, the Committee will seek to ensure that there are no unnecessary overlaps between the internal and external audit functions.

The Committee has the right of direct contact with the internal auditors. Similarly, the internal auditors have a right of direct and unfettered access to the Committee through the chairperson.

AUTHORITY AND ACCESS TO PERSONNEL AND INFORMATION

The Committee shall have unlimited access to both internal and external auditors and advisors and to senior management of the Company. The Committee shall also have the ability to consult independent experts where required to fulfill its responsibilities.