

THE REJECT SHOP LIMITED

Audit & Risk Committee Charter (“Charter”)

1 Introduction

The Audit & Risk Committee (“**Committee**”) is a committee of the board of directors (“**Board**”) of The Reject Shop Limited (“**Company**”) established under article 10.6 of the Company’s constitution, and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities.

The purpose of this Charter is to specify the authority delegated to the Committee by the Board and to set out the role, composition, responsibilities and operation of the Committee.

Meetings and proceedings of the Committee will be governed by the provisions of the Company’s constitution relating to meetings and proceedings of the Board, provided that they are applicable and not inconsistent with this Charter.

2 Powers

The Committee will have unrestricted access to the Company’s management, internal audit team, loss prevention team, external auditors, and external lawyers to fulfil its purpose and undertake its duties.

3 Role

The role of the Committee is to:

- assist the board in fulfilling its oversight of the reliability and integrity of financial management, accounting policies, asset management and financial reporting and disclosure practices;
- advise the board on the matter of internal control including financial statements, due diligence, financial systems integrity and risk management;
- establish and maintain processes to ensure that there is:
 - compliance with all applicable laws, regulations and company policy; and
 - adequate systems of internal control, risk management evaluation and exposure minimisation to safeguard the Company’s assets;
- advise the board on appropriate ethical standards for the management of the Company;
- oversee the appointment, independence and competence of the Company’s internal auditors and external auditors;

- recommend to shareholders the termination of the external auditor's appointment where appropriate;
- recommend improvements for the correlation between financial and non-financial information and reports; and
- strengthen the role and influence of non-executive directors.

4 Responsibilities

4.1 External Reporting

The Committee is responsible for:

- reviewing the appropriateness and integrity of the accounting principles adopted by management in the composition and presentation of financial reports including whether the financial disclosures made by management accurately portray the company's financial condition, plans and long-term commitments;
- overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- asking the external auditors for an independent judgment about the appropriateness of the accounting principles and the clarity of financial disclosure practices used by the Company;
- reviewing the Company's annual financial statements including whether they are complete and consistent with appropriate accounting standards and recommending such statements to the board;
- reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the Company of financial and non-financial information;
- assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur, and assessing the internal control systems covering information releases which have the potential to adversely reflect on the entity's conduct;
- reviewing the completeness and accuracy of the Company's main corporate governance practices; and
- recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

4.2 Internal Controls and Risk Assessment

The Committee is responsible for:

- preparing a risk profile which describes the material risks facing the company (including financial and non-financial matters);

- regularly reviewing and updating the risk profile;
- assessing the existing controls and processes for determining and managing key risk areas such as:
 - non-compliance with laws, regulations, standards and best practice guidelines (e.g. environmental, health and safety, and industrial relations laws);
 - important judgments and accounting estimates;
 - litigation and claims;
 - store robberies;
 - fraud and theft; and
 - relevant business risks not dealt with by other Board committees.
- ensuring that effective risk management systems are in place and that all material risks are reported to the Board at least twice a year;
- receiving from management reports relating to suspected and actual fraud, thefts, store robberies and breaches of law;
- reviewing insurance and other risk transfer arrangements, and considering whether the appropriate arrangements are in place;
- examining and evaluating the effectiveness of the internal control system with management, internal auditors and external auditors;
- evaluating the processes for assessing and improving internal controls;
- assessing existing controls management has in place for unusual transactions or transactions with more than an accepted level of risk;
- assessing the effectiveness of and updating of all appropriate Company policies; and
- meeting periodically with key management, internal and external auditors and compliance staff to understand the Company's control environment.

4.3 Related Party Transactions

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

4.4 External Audit

The Committee is responsible for:

- establishing procedures for the selection and appointment of the external auditor and for the rotation of the external audit engagement partners;

- making recommendations to the Board on the appointment, removal, and remuneration of the external auditor;
- ensuring that recommendations made by management to either replace the external auditor or that the audit needs to be put out to tender are carefully evaluated and reported to the Board before the Board makes a final decision;
- reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- agreeing to the terms of engagement of the external audit before the start of each audit;
- monitoring the effectiveness and independence of the external auditor;
- inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- reviewing the scope of the external audit and any additional procedures with the external auditor on a periodic basis;
- inquiring of the external auditor as to any specific points of divergence with the Company's management;
- monitoring and examining management's response to the external auditor's findings and recommendations;
- reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate;
- making a time to meet with the external auditor without having management present at least once each year; and
- reviewing the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations.

4.5 Internal Audit and Communication

In the event that the Company establishes an internal audit team, the following provisions will apply.

The Committee is responsible for:

- ensuring that the internal audit manager (while reporting directly to the Managing Director) has a direct access line to the chairperson and other members of the Committee. The internal audit manager must also be independent of the external auditor;
- reviewing the scope of the internal audit plan with the internal audit manager, including the work program and quality control procedures;

- reviewing the performance and objectivity of the internal audit function;
- evaluating management's responsiveness to the internal auditor's findings and recommendations; and
- evaluating the process the Company has in place for monitoring and assessing the effectiveness of the internal auditor;

5 Delegation

Members of the Committee may rely on information, or professional or expert advice, given or prepared by:

- an employee of the Company whom the member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- a professional adviser or expert in relation to matters that the member believes on reasonable grounds to be within that person's professional or expert competence;
- another director or officer of the company in relation to matters within that director's or officer's authority; or
- a committee of directors on which the member did not serve in relation to matters within that committee's authority.

6 Membership

The Committee must consist of at least three members all of whom are non-executive directors. A majority of members of the Committee must be independent directors. The Committee will also have an independent chairperson who is not the chairperson of the Board.

Each member of the Committee must:

- be independent of the management of the Company and free from any relationship that, in the business judgment of the Board, would interfere with the exercise of their independent judgment as a member of the Committee; and
- have a working familiarity with basic finance and accounting practices.

Additionally, at least one member of the Committee must have accounting or related financial management expertise.

Two or more members must have some knowledge about the industry in which the Company operates.

The Board will elect both the chairperson and the members of the Committee and review such membership at times considered appropriate, including so as to ensure the Committee is of sufficient size, independence and technical expertise to discharge its mandate effectively.

7 Meetings

The Committee shall meet as often as is required to perform its functions. The quorum for meetings of the Committee is two members of the Committee. Any Board member who is not a member of the Committee may attend meetings of the Committee. The external auditor must attend any meeting of the Committee when requested by the Committee. The Committee may request management and/or others to attend Committee meetings and provide such input and advice as required.

Information sent to the Committee will be forwarded on a regular basis to Committee members and copied to other Board members. The chairperson of the Committee shall determine, in consultation with the Company's management, the external auditor and Committee members, the agenda for each meeting of the Committee. Any Board member may require a matter to be put on the agenda for a Committee meeting for consideration.

The Committee must keep minute books in which it records the proceedings and resolutions of its meetings. The minutes of a Committee meeting must be circulated to Board members within 21 days of the meeting.

Resolutions of the Committee may be made at a meeting of the Committee, or where it is impractical to convene a meeting, by circular resolution signed by all Committee members.

8 Annual Review

In relation to the external auditor, the Committee shall on an annual basis:

- require the external auditor to:
 - (a) submit to the Committee a formal written statement delineating all relationships between the auditor and the Company or any of its subsidiaries;
 - (b) actively engage in discussions with the Committee concerning any relationships or services that may impact the objectivity and independence of the external auditor;
- consider whether the external auditor's provision of non-audit services to the Company is compatible with maintaining independence of the external auditor;
- submit a formal written report to the Board describing any non-audit services rendered by the external auditor during for the most recent financial year, the fees paid for those non-audit services in aggregate and by each service, and explaining why the provision of those non-audit services is compatible with the independence of the external auditor;
- if applicable, recommend that the Board take appropriate action in response to the Committee's report to satisfy itself of the external auditor's independence; and

- consider whether to recommend to shareholders that the external auditor's appointment be retained or terminated.

The Committee will, on an annual basis:

- review its Charter to determine its adequacy for current circumstances and recommend to the Board the formal adoption of the revised charter for future operations of the Committee;
- meet separately with the internal auditor and the external auditor, with and without management, to discuss the results of their audits;
- review with management and the external auditor, the financial report to be included in the annual report including:
 - the external auditor's responsibilities under generally accepted auditing standards;
 - significant accounting policies;
 - management judgments and accounting estimates; and
 - adjustments arising from the audit;
- review the external auditor's judgments about the quality, and acceptability of accounting principles as applied in the financial report; and
- prepare or consider any report or other disclosures to be included in the Company's annual report or other communications to shareholders on the relationships between the external auditor and the Company.

9 Authority

The Committee may conduct or authorise investigations into any matter within its scope of responsibility or matters delegated by the Board. The Committee will have the authority necessary and appropriate to enable it to discharge its duties and responsibilities, including but not limited to:

- select, retain, and terminate external counsel, accountants or other experts as it deems appropriate;
- approve the fees and other retention terms of such counsel, accountants or other experts;
- seek the information and assistance it requires from employees or agents of the Company or external parties (without management presence); and
- meet with the Company's officers, external auditors, or external counsel as required;

without seeking approval of the Board or management.

10 Miscellaneous

The following should be made publicly available:

- the Committee's Charter;
- information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- the process for performance evaluation of the Board, its committees (including the Committee) and individual directors and key executive; and
- a description of the Company's risk management policy and internal compliance and control system.

Approved by the Board 19th March 2014