



# Meat and Livestock Australia Ltd.

## Audit and Risk Committee Charter

POLICY OWNER .....	<b>Chair - Audit &amp; Risk Committee</b>
COMPLIANCE.....	<b>Mandatory</b>
APPROVED BY.....	<b>Board</b>
DOCUMENT TYPE .....	<b>Policy</b>
EFFECTIVE DATE .....	<b>14 June 2017</b>
LAST REVISED .....	<b>9 June 2015</b>
NEXT REVIEW .....	<b>June 2018</b>
CONTACT .....	<b>CFO</b>
VERSION NO. ....	<b>V2-0</b>

## 1. Purpose

The Audit and Risk Committee (the Committee), appointed by the Board of Directors (the Board), assists the Board to fulfil its oversight responsibilities relating to:

- The preparation and integrity of the company's financial accounts and statements
- Internal controls, policies and procedures that the company uses to identify and manage business risks
- Qualifications, independence, engagement, fees and performance of the external auditor;
- The external auditor's annual audit of the financial statements
- The resources, performance and scope of work of the risk management function
- Company compliance with legal, regulatory requirements and compliance policies.

Effective corporate governance depends on the active collaborative participation of the Committee, Board of Directors, external auditors, internal auditors, other assurance providers and Management. Ensuring that this collaboration occurs effectively and efficiently is fundamental to the Committee's success.

The existence of the Committee does not diminish the Board's responsibility to ensure the integrity of the financial reporting and to manage risk.

## 2. Authority

The Board has authorised the Committee, within the scope of its duties and responsibilities set out in this Charter to:

- Perform the activities required to address its responsibilities and make recommendations to the Board
- Resolve any disagreements between Management and the external auditor, with areas of significant disagreement being advised to the Board
- Select, engage and approve the fees (within operational limits) for professional advisers that the Committee may require to carry out its duties
- Subject to the agreed protocol:
  - Require the attendance of any company manager or staff member at meetings, as appropriate
  - Have unrestricted access to Management, employees and information it considers relevant to its responsibilities under this Charter.

## 3. Membership

The Board Chairman is responsible for nominating Committee members for approval by the Board.

The Committee will comprise at least three members, all of whom should be independent (as defined in the Board Charter), non-executive directors.

The Committee members must be 'financially literate' (i.e. able to read and understand financial statements and challenge information presented in Committee meetings) and have a broad appreciation of broader corporate risks and mitigation frameworks.

At least one Committee member must have 'accounting or related financial expertise' and at least one member must have relevant industry experience.

Committee member appointments are for an initial term of two years and the appointment is reviewed annually.

Committee member rotation is encouraged. Wherever possible, the Board also ensures that changes in Committee membership are staggered to maintain continuity.

The Chief Financial Officer or their designate is the Committee Secretary.

#### **4. Chairman**

The Board Chairman is responsible for nominating the Committee Chairman for approval by the Board.

The Chairman of the Committee must be an independent, non-executive director and not the Chairman of the Board.

Should the Committee Chairman be absent from a meeting, the Committee members present must appoint a Chairman for that particular meeting, who should not be the Chairman of the Board.

#### **5. Education**

The company will assist the Committee in maintaining appropriate financial literacy. The company is responsible for providing new members with an appropriate induction program and educational opportunities, and the full Committee with educational resources relating to accounting principles and procedures, current accounting and risk management issues pertinent to the company, and other resources, as reasonable requested by the Committee.

#### **6. Meetings**

The Committee must meet at least four times per year. If a member is unable to be physically present, they may participate by video or teleconference.

The Chairman, in conjunction with the CFO or their designate, shall prepare a work program each year designating the work to be completed at each meeting, to ensure the responsibilities laid out in this Charter are addressed. The Committee shall approve the work program at its first meeting of the year.

- A notice of each meeting, with relevant supporting agenda papers, confirming the date, time and venue is to be forwarded to each Committee member at least 5 working days before each meeting
- The Committee Chairman, the Board Chairman, external auditor or any committee member may call a meeting of the committee
- The Committee Chairman may invite any person or persons (other than duly appointed members) to attend meetings of the Committee, but not necessarily of the full duration of the meeting.

The Chairman may invite other members of the Board from time to time on a needs basis.

Two members will constitute a quorum.

The Committee Chairman is not entitled to a second or casting vote.

## 7. Minutes

The Committee Secretary or delegate must prepare the minutes of the Committee meeting within 48 hours. After the Committee Chairman has given preliminary approval, the draft minutes are circulated to all Committee members for feedback within seven working days.

Once an opportunity for feedback has been given to all members, the minutes of the meeting must be confirmed and signed by the Chair and filed in the minute book within one month of the meeting. A copy of the minutes will be included in the papers for the next Committee and Board meetings.

## 8. Communication

The Committee is expected to maintain free and open communication with the external auditor, any internal auditor(s) and management.

## 9. Duties and responsibilities

In assisting the Board to fulfil its responsibilities, the duties of the Committee are as follows:

### Assessment of financial information

Review any significant accounting and reporting issues, including professional and regulatory announcements, and understand their effect on the company's financial statements.

Review all published financial statements of the company, which require the approval of the Board, based on the recommendation of the Committee, and hold discussions regarding the financial statements with the external auditor and Management before submission to the Board.

The Committee will pay specific attention to:

- The consistency of accounting policies and appropriate adoption of any new accounting standards
- Considering the need for, appropriateness of and correct disclosure of, any changes made to the company's accounting policies
- The treatment and disclosure of complex or unusual transactions, including off-balance sheet structures
- Significant judgments made by management in preparing the financial statements, including any significant accounting estimates
- The going-concern assumptions
- Related party transactions disclosures, including, if relevant, disclosure of transactions with parties "related" by virtue of the SFA or MOU.

Review, at least annually, the written attestations provided by the Managing Director and CFO for Australian reporting purposes that:

- The company's financial records have been properly maintained
- The company's financial statements and notes present a true and fair view, in all material respects, of the company's financial condition, and are in accordance with relevant accounting standards
- The financial statements are founded on a sound system of risk management and internal compliance and control, and that the system is operating effectively in all material

respects in relation to financial reporting risk

- The company's risk management and internal control and compliance systems are operating effectively and effectively in respect to its material business risks.

### External auditors

Recommend to the Board the appointment, evaluation and removal of the external auditors.

Review and approve the external auditors' proposed audit plan and audit approach, including materiality levels.

Review and agree on the terms of engagement and the audit fees for the external auditors prior to the commencement of each audit.

Review the independence and objectivity of the external auditors and their compliance with all relevant independence requirements including:

- Financial interests in clients and other business relationships
- Employment and other personal relationships
- The level of non-audit services provided
- The rotation of audit partners
- Limitations on external audit partner providing services other than audit, review or attestation.

Understand any material alternative treatment of financial information that has been discussed with Management, including their ramification, together with the treatment preferred by the external auditor.

Discuss the appropriateness of accounting policies, estimates and judgements. Review the external auditor's summary management report, detailing the results and significant findings from the audit and management responses. Meet at least once per year with external auditor, without Management present.

Resolve any disagreements between Management and external auditors in the financial reporting and advise any significant issue to the Board.

Review and approve the external auditor's process for the rotation and succession of audit and review partners, including their approach to managing the transition. Obtain from the external auditor, and review, the independence declaration required under the Corporations Act.

### Internal auditor

Approve the appointment, remuneration and removal of the Head of Internal Audit.

In conjunction with Management, set and review the internal audit program to ensure the appropriate organisational structures, authority, access and reporting arrangements are in place. Ensure appropriate resources are applied to the internal audit process.

Approve and review progress against the internal audit work plan:

- Review the internal audit coverage and annual work plan, and monitor progress of the work plan

- Advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- Oversee the co-ordination of audit programs conducted by internal and external audit respectively. Review significant internal audit reports and findings.

Review progress on management actions on issues identified. Monitor progress against the annual work plan, including any significant changes to it, any difficulties or restrictions on the scope of activities and any significant disagreements with Management.

Consider the major findings of the internal audit reports and review Management's response in terms of content and timeliness. Monitor Management's implementation of internal audit recommendations. Periodically review the performance of the internal audit process.

### **Risk management and internal controls**

Approve the company's risk management policy and oversee the risk management system including the risk management function and its resourcing.

Review the company's risk register once a year and on an exceptions basis at each other meeting of the Committee.

Review the operational effectiveness of the policies and procedures relating to risk and the company's internal control environment.

Review management evaluation of the effectiveness of internal controls. Review the effectiveness of the company's insurance activities.

Review the effectiveness of the company's management of intellectual property.

Review compliance and effectiveness of the company's treasury, investment and foreign exchange activities.

### **Compliance**

Review effectiveness of the company's approach to achieving compliance with laws, regulations, industry codes and company policies.

Review compliance with the company's values and related behaviours and the code of conduct.

Obtain regular updates from Management, matters that may have a material impact on the company's activities. Review any correspondence from regulatory bodies regarding significant issues.

### **Other responsibilities**

Ensure that there is a process in place for the Board Chairman and Committee Chairman to be immediately informed of any issue of significant non-compliance or litigation. Oversee the process for the receipt, retention and treatment of information receiving from the internal whistleblower policy and procedures, and also from the external complainants regarding matters relating to audit, the financial statements, internal controls or possible fraud.

Review any fraud reports. Review and discuss any reports concerning any breach of fiduciary

duty. Hold regular executive sessions with the Managing Director, CFO and other senior management to discuss relevant matters with the Committee.

Act as a forum for the communication between the Board and senior management and internal and external audit. Review the effectiveness and level of cooperation between Management and the external auditors. Review reports to the stakeholders on the role and responsibilities of the Committee. Conduct special investigations (if required). Perform any other duty or undertaking that the Board may request from time to time.

Review, for potential conflict of interest situations, and pre-approve related party transactions on an ongoing basis.

## **10. Reporting**

In addition to providing the Board with a copy of the minutes of its meetings, the Committee will ensure that:

- The Committee Chairman reports to the Board on Committee meetings, regarding all relevant matters and appropriate recommendations for noting or approval by the Board
- The Committee addresses any other responsibilities.

## **11. Reviews**

To ensure that the Committee is fulfilling its stewardship duties to the Board, the Committee will:

- Review, at least annually, the Committee Charter and recommend to the Board any appropriate amendments for approval
- Review the annual agenda incorporating any changes in the Charter
- Conduct an annual assessment of its performance against its chartered duties and responsibilities and provide a report of the findings to the Board
- Conduct an annual assessment of each committee member (the Committee Chairman should provide a report of the findings to the Board Chairman).