

# Audit and Risk Committee Charter

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## 1. Objectives

The objective of the committee is to assist the board in discharging its responsibilities relative to financial risk management, financial reporting and audit functions.

This charter sets out the role of the Dairy Farms NZ Group Audit and Risk Committee. While recognising and safeguarding the ultimate decision-making authority of the entire Board of Directors, the Board has delegated to its Audit and Risk Committee responsibilities as follows:

- (a) to recommend the appointment of external (and if necessary internal) auditors or reviews;
- (b) oversee all aspects of the auditor relationship;
- (c) to promote the integrity and transparency of financial reporting;
- (d) to review systems of internal controls;
- (e) to review processes for identifying and managing financial risk.

## 2. Structure and Composition

The Committee shall comprise a minimum of three Directors, with a quorum of two, all of whom shall be non-executive Directors. Members and the Chair will be appointed by the Board and will hold office until changed by Board resolution. The majority of members shall be independent. The Chair of the Committee shall be an Independent Director and shall not be the Chair of the Board. Members of the Committee are expected to have the capacity to devote the required time and attention to prepare for and attend Committee meetings. All directors shall be entitled to attend meetings of the Committee, provided that any executive directors shall not be entitled to attend those meetings which the committee chooses to hold without any company executives present. All directors shall receive a copy of any papers presented to the Committee, and a copy of the minutes of meetings.

At least one member shall have an accounting or financial background, and all other members should be financially literate given the specialised functions of the Committee. The Committee will be structured to ensure that, as a collective group, it has the skills, experience and knowledge to fulfil its functions. For the purposes of this Charter, and as required pursuant to the NZX Listing Rules, a member of the Committee shall be deemed to have an adequate “accounting or financial background” if he or she is a qualified finance professional with experience in finance and accounting matters and:

- (a) Is a member of Chartered Accountants Australia and New Zealand or has held a CFO position within a NZX listed entity for a period of greater than 24 months; or
- (b) Has successfully completed a course approved by NZX for audit committee membership; or
- (c) Has the experience and/or skills deemed satisfactory by the Board.

It would be usual for the Chief Financial Officer and the Chief Executive Officer to be invited to attend meetings. The Committee will meet with the external auditor at least once a year. For at least part of every meeting, no executive Directors, management or other employees of the Company shall be present.

## 3. Access and Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- (a) seek any information it requires directly from any employees of the Company, or any external persons;
- (b) obtain external legal or other professional advice if it considers this is necessary; and
- (c) require the attendance of employees of the Company at meetings as appropriate.

The Committee shall have direct communication with, and unrestricted access to the external auditors.

Committee members are entitled to rely on information or advice from Company employees on matters within their responsibility, and on external professional advisers or experts (including the Company's auditors) on matters within their professional or expert competence, provided that:

- (a) the Committee members do not know, or have reason to believe, that such reliance is unwarranted;
- (b) the Committee members have reasonable grounds to believe that each person on which the Committee relies is reliable and competent in relation to the matters concerned; and
- (c) the Committee members make proper inquiry where the need for inquiry is indicated by the circumstances (including whether further information is required or available in order to make a decision on a given matter).

The Board may rely on information provided by the Committee and its members in relation to matters within the Committee's responsibility under the terms of this Charter (subject to the same provisos as set out above). The Chair of the Committee shall report back to the Board at the next appropriate meeting on any substantive matters raised and addressed by the Committee.

## 4. Responsibilities of the Committee

The responsibilities of the Committee will include:

- (a) Financial reporting;
  - (i) Considering and recommending for Board approval, all changes in major accounting policies;

- (ii) Considering the quality and adequacy of the accounting records and systems, and the effectiveness of internal controls;
- (iii) Considering and recommending to the Board, adoption of the annual financial statements (and interim as appropriate);
- (iv) Forming a view of the truth, fairness and consistency of financial statements, and whether these contain adequate and appropriate disclosures to comply with applicable laws, generally accepted accounting practice and listing rules, and whether any simplifications can be made to the accounts to improve comprehension;
- (v) Reviewing any significant financial reporting issues arising and any judgements made relating to the preparation of financial statements;
- (vi) Forming a view, and making a recommendation to the Board, on the propriety of any related party transactions;
- (vii) Considering and recommending for Board approval, any market releases relating to the financial statements.

(b) External audit liaison, including:

- (i) *Audit Planning*: including levels of materiality adopted by the auditor, agreeing areas of mutual interest and concern, and reviewing the external audit plan and any changes;
- (ii) *Level of Audit Fee*: to be considered by the Committee and recommended to the Board;
- (iii) *Areas of Accounting Difficulty*: should areas of major difficulty or controversy arise during the audit, the Committee will be available to meet with the auditors and work towards an acceptable resolution;
- (iv) *Audit Opinion*: the form and content of the opinion is to be discussed, and the Committee will confirm with the auditor that management has placed no restriction on their audit;
- (v) *Audit Management Letter*: the Committee should receive and consider a report from the auditors on their audit addressed to the committee, including any responses thereto from management. Any significant issues or recommendations raised by the auditors should be discussed with them.
- (vi) *Audit Appointment*. The Committee will:
  - a. Make recommendations to the Board regarding the appointment and removal of the external auditor;
  - b. Review, and recommend to the Board, the terms of engagement of the external auditor;
  - c. Oversee the independence of the external auditor (including monitoring and approving all non-audit services);
  - d. Review the performance of the external auditor;
  - e. Ensure that the external auditor or lead audit partner is changed at least every five years, with appropriate “cool-down” periods.

(c) Treasury:

- (i) Reviewing the Company's treasury policies, practices and risk profile and recommending to the Board any material changes to finance/funding arrangements.
- (d) Risk review:
  - (i) Forming a view, and making a recommendation to the Board, of the adequacy and accuracy of the Company's risk management policies and procedures;
  - (ii) Overseeing that management has identified and assessed all key risks that the organisation faces and that material risks to the Company's business are dealt with properly and reported at least annually to the Board. Risks may be strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational, and other risks.
  - (iii) The Audit and Risk Committee has no specific responsibility with respect to health and safety, as both the Production Committee and the full Board have a focus on this. The Audit and Risk Committee remains entitled to choose to consider any health and safety risks in addition to these other forums.
  - (iv) Provide input to management regarding the Group's risk appetite and tolerance and, ultimately, approve risk appetite and tolerance messaging;
  - (v) Recommend any risk management policies to be approved by the Board.
- (e) General:
  - (i) Ensuring the Board is properly and regularly informed and updated on corporate financial matters;
  - (ii) Considering the adequacy of tax provisions and the appropriateness of management of any tax risks;
  - (iii) Considering any requirement to develop complaints and whistle-blowing policies and processes as the business grows;
  - (iv) Oversee matters relating to the values, ethics and financial integrity of the Group. This may include supervision of any special investigation requested by the Board, and examination of any other matters referred to the Committee by the Board;
  - (v) Consider any other matters generally consistent with the terms of reference in this Charter.

## 5. Meetings

The Committee should meet formally at least four times per year for structured meetings, and at other appropriate times or if requested by the auditor. The proceedings of all meetings should be minuted.

The Committee, at its discretion, may invite any person to attend meetings of the Committee, and may request any such invitee to retire from a meeting of the Committee at any time.

## 6. Accountability and Reporting

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The Committee is accountable to the Board. In this regard, the Committee shall:

- (a) regularly report to the Board on all matters relevant to the Committee’s responsibilities and make appropriate recommendations;
- (b) ensure that the Board is made aware of any matters which may significantly impact on the financial condition or affairs of the Company; and
- (c) provide copies of minutes of all Committee meetings to all members of the Board at the next scheduled meeting of the Board.

## 7. Review

The Committee shall undertake an annual self-review of its performance, objectives and responsibilities and of this charter annually, and ensure any revisions to the Charter are approved by the Board.

A copy of this Charter will be published on DFNZ’s website.