

BOARD AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

1. Introduction and Purpose

- 1.1 The purpose of this Charter is to set out the role, composition, responsibilities and operating procedures of the Audit and Risk Management Committee (the Committee) of Dairy Australia Limited (DA).
- 1.2 The Committee is to provide assistance to the Board of Directors of DA (the Board) in fulfilling its responsibilities in relation to:
 - 1.2.1. Financial reporting and policies, to ensure the balance, transparency and integrity of published financial information;
 - 1.2.2. Ensuring the effectiveness of the internal control system;
 - 1.2.3. Ensuring the effectiveness of the risk management system;
 - 1.2.4. Processes for monitoring compliance with legislative requirements, internal policies and expectations of key stakeholders including compliance with DA's Constitution and the *Statutory Funding Agreement* between DA and the Commonwealth (SFA);
 - 1.2.5. Internal and external audit functions, including appointment and assessing the performance of internal and external auditors; and,
 - 1.2.6. Management of investments by reviewing investment strategy and monitoring performance.

2. Role and Responsibilities

- 2.1 The role of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control structure, the internal and external audit functions, risk management, compliance and investment management.

- 2.2 The responsibilities of the Committee include considering all matters relating to its objectives that it deems necessary, and advising the Board in relation to the following subjects:

3. **Audit**

3.1 ***Financial reporting and accounting policies***

Reviewing and making recommendations to the Board in relation to:

- The adequacy of the company's processes around the preparation and finalisation of the year-end financial statements;
- The management of non-financial information in documents, to ensure the information does not conflict with the financial statements or other documents;
- Reviewing and monitoring related party transactions;
- Significant accounting and reporting issues and their impact on the year end financial statements;
- Application of accounting policies and judgments to ensure that they are appropriate and acceptable;
- Review representations made by management in relation to financial reporting, including declarations from the Group Manager - BOP and the Financial Controller about the financial reports; and
- Whether the financial statements reflect a true and fair view of the financial position and performance of DA.

In order to satisfy itself of the foregoing the Committee shall:

- Meet with management and the external auditor to review financial statements, accounting policies and the results of the audit prior to approval by the Board;
- Discuss significant adjustments, unadjusted differences, disagreements with management and critical accounting policies with the external auditor; and
- Review other sections of the annual report, as necessary, prior to its release.

3.2 ***External Audit***

- Recommending to the Board the appointment and if necessary, removal of the external auditor;
- Reviewing and agreeing the terms of engagement for the external auditors, the scope of work to be undertaken and the program for such work, including materiality thresholds;
- Reviewing any proposed provision of non-audit services by the external auditor to ensure that the provision of those services does not adversely impact on auditor independence;
- Reviewing and assessing the performance, independence and objectivity of the external auditor;
- Discussing with the external auditor any problems encountered during the course of the audit including restrictions in scope or access to information;
- Meeting separately with the external auditor at least annually to discuss any matters the auditor or the Committee believe should be discussed privately and ensuring that the external auditor has full access to meet with or otherwise liaise with the Chair of the Committee;

- Reviewing reports of the external auditor and assessing the findings and recommendations contained in those reports, and seeking confirmation that management has appropriately addressed the significant findings and recommendations from the external auditor;
- Reviewing and approving the external auditor's arrangements for the rotation and succession of audit and review partners or their equivalents, including their approach to managing the transition; and
- Recommending to the Board whether the financial statements should be signed based on the Committee's assessment of them.

3.3 Internal Audit

- Recommending to the Board the appointment and if necessary, the removal of the internal auditor;
- Reviewing and approving the annual Internal Audit Plan and scope prior to commencement of the internal auditor's program;
- Monitoring and reviewing internal audit's performance and progress against the annual Internal Audit Plan, including the results of internal audit projects undertaken and the issues raised by them;
- Discussing with the internal auditor any problems encountered during the course of the audit including restrictions in scope or access to information;
- Monitoring management's responsiveness to internal audit findings and recommendations;
- Meeting separately with the internal auditor at least annually to discuss any matters the auditor or the Committee believe should be discussed privately and ensuring that the internal auditors has full access to meet with or otherwise liaise with the Chair of the Committee; and
- Reviewing and assessing the performance, independence and objectivity of the internal auditor.

3.4 Internal control structure

- Overseeing management's design and implementation of DA's internal control systems and processes and the processes for assessing the effectiveness of DA's internal controls; and
- Ensuring the adequacy and effectiveness of the internal control framework.

4. Risk

- Overseeing DA management's design and implementation of DA's risk management;
- Ensuring DA management has appropriate and adequate processes for identifying, assessing and responding to risks in accordance with Dairy Australia's risk appetite;
- Evaluating management's assessment of both financial and non-financial business risks within DA on an annual basis to ensure:
 - key risk areas are identified and managed and advise the Board of the results of such evaluations;
 - reporting processes include notification where DA is operating outside the risk appetite;
- Reviewing DA's Risk Management Plan at least annually to satisfy itself that:
 - DA is operating with due regard to Dairy Australia's risk appetite;
 - it deals adequately with contemporary and emerging risks; and
 - it remains otherwise sound;

- Reviewing the insurance program to ensure that it is consistent with the risk profile for DA, as approved by the Board.

5. Investments

- Reviewing investment policy every two years or earlier;
- Reviewing any changes to the investment portfolio made by DA's management and investment advisors,;
- Reviewing and assessing the performance of the external investment advisors, including performance against agreed benchmarks;
- Reporting to the Board on the financial performance of investments on a regular basis.

6. Governance

6.1 Corporate Governance

- Ensure that DA has and discloses:
 - An Anti-Bribery and Corruption Policy; and
 - A Whistleblower Policy;
- Reviewing and reporting on significant corporate governance developments relevant to the Committee's responsibilities;
- Reviewing DA's corporate governance statement and any other disclosures made about corporate governance in DA's annual report;
- Overseeing the process for the management of matters raised by whistleblowers and reviewing significant matters raised through the process;
- Overseeing the process for reporting breaches of the Anti-Bribery and Corruption Policy and reviewing significant matters raised through the process; and
- Overseeing the Managing Director's delegation of authority to management.

6.2 Compliance

- Overseeing DA's compliance with applicable laws and regulatory obligations and the design and implementation of DA's governance framework to achieve compliance with those laws and obligations including:
 - Oversight of the processes to comply with applicable Laws, Regulations, the SFA, DA's Constitution and internal policies;
 - Ensuring that a Risk Management Plan, Fraud Control Plan and Intellectual Property Management Plan are developed and maintained in accordance with the SFA;
 - Obtaining and reviewing updates from management, the Legal Manager and the Company Secretary regarding compliance matters which may have a material impact on DA's reputation or the financial reports;
 - Reviewing the results of management's investigation and action in relation to significant identified acts of non-compliance;
 - Reviewing the findings and recommendations of any examinations of DA by key regulatory agencies; and
 - Meeting separately with the manager(s) having responsibility for Compliance without other management personnel being present.

7. Other

- Reviewing relevant policies as appropriate; and

- Addressing any other matters referred to the Committee by the Board.

8. Authority

- 8.1 The Board authorises the Committee, within the scope of its responsibilities, to perform activities within the scope of this Charter. In fulfilling its duties, with the Chair of the Committee's approval, the Committee members may obtain information, interview management, other DA employees, internal and external auditors, and seek advice from external consultants that the Committee considers necessary or appropriate.
- 8.2 The Committee acts as an advisory and review committee on behalf of the Board and as such does not have delegated decision-making powers unless specifically stated within this Charter.

9. Membership of the Committee

- 9.1 The Committee shall be appointed in accordance with Rule 22 of the Constitution by the Board and comprise at least three non-executive directors of the Board, one of whom shall chair the Committee. At least half of the members of the Committee shall be Independent Directors, in accordance with the SFA.
- 9.2 The Board Chair will be an ex officio member of the Committee.
- 9.3 All members of the Committee must be financially literate. It is desirable that at least one member has accounting or financial expertise and at least one member has a strong understanding of the industry in which the company operates.
- 9.4 Membership of the Committee is to be reviewed by the Board at least annually.
- 9.5 The Secretary of the Committee shall be the Company Secretary unless otherwise determined by the Committee.

10. Meetings

- 10.1 The Committee shall meet at least on a quarterly basis or more frequently as required.
- 10.2 Meetings are called by the Secretary as directed by the Board, or at the request of the Chair of the Committee.
- 10.3 Meetings shall be based on an agenda set at the commencement of each financial year.
- 10.4 A quorum shall comprise two of the Committee members present.

- 10.5 While it is desirable that Committee members attend meetings in person where possible, meetings can be attended by telephone or any other technology agreed by the Committee.
- 10.6 The Managing Director, the Group Manager Business and Organisational Performance and other management, as required, should attend Committee meetings. Any other Board member may attend meetings of the Committee as of right.

11. Reporting to the Board

- 11.1 Minutes of meetings will be kept.
- 11.2 The Chair of the Committee shall report to the Board following each meeting of the Committee and ensure that any recommendation requiring a formal resolution go to the Board with appropriate explanatory material for consideration.
- 11.3 A copy of the minutes of each meeting of the Committee is to be provided to the Board.

12. Written Resolutions

If all the Committee members sign a document containing a statement that they are in favour of the resolution set out in the document or otherwise indicate their approval by electronic means, a Committee resolution in those terms is passed at the time when the last Committee member signs. In accordance with Rule 20.2 of DA's Constitution, an email produced under the name of a Committee member with that Committee member's authority, is considered a document in writing signed by the Committee member and is deemed to be signed when received in legible form.

13. Committee Performance Review

- 13.1 The Chair of the Committee, in consultation with the Board Chair, will conduct a review of the performance of the Committee annually. The evaluation will take account of its performance in relation to this Charter and serve to ensure that it is operating in line with accepted practice for Audit & Risk Management committees.
- 13.2 Additionally the performance of the Committee will be externally evaluated as part of the Board performance review required to be carried out every three years.

14. Review of this Charter

The Committee will review this Charter at least annually. Any material changes to the Charter will be recommended to the Board for formal approval.

15. Publication

This Charter will be published on the DA website and any amendments will be updated. A copy will be made available to members if requested.