

DAIRY AUSTRALIA BOARD AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

1. Introduction & 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 DA Constitution requires the establishment of the Committee 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 including review of investment strategy and monitoring performance.

2. Responsibilities

- 2.1 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:

2.2.1 Financial reporting and accounting policies

Reviewing and making recommendations to the Board in relation to:

- the adequacy of the company's reporting process;
- the management of non-financial information in documents, to ensure the information does not conflict with the financial statements or other documents;
- significant accounting and reporting issues and their impact on financial reports;

- application of accounting policies and judgments to ensure that they are appropriate and acceptable; 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.

2.2.2 Internal control structure

Ensuring the adequacy and effectiveness of the internal control framework and determining whether management has implemented recommendations made by internal and external auditors.

2.2.3 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;
- Reviewing DA's Risk Management Plan at least annually to satisfy itself that it remains sound;
- Reviewing the insurance program to ensure that it is consistent with the risk profile for DA, as approved by the Board;
- Considering the adequacy of business continuity planning.

2.2.4 Compliance

- Reviewing the effectiveness of the processes to ensure compliance 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 reports from management regarding compliance matters which may have a material impact on the financial reports; and
- Meeting separately with the manager having responsibility for Compliance without other management personnel being present.

2.2.5 Audit

- Recommending to the Board the appointment of the external auditor, having regard to their independence, qualifications, term of appointment and fee;
- Making recommendations to the Board in relation to the rotation of the audit engagement partner;
- Reviewing any proposed provision of non-audit services by the external or internal auditor;

- Reviewing the annual external audit plan and scope prior to commencement of external auditor's audit program;
- Discussing with the external auditor any problems encountered during the course of the audit including restrictions in scope or access to information;
- Reviewing the results of the audit;
- Discussing the appropriateness of the accounting policies applied in the company's financial reports;
- Meeting separately with the external auditor at least annually to discuss any matters the auditor or the ARMC believe should be discussed privately;
- Recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them;
- Recommending to the Board the appointment of an internal auditor;
- Reviewing and approving the internal audit plan and scope; and
- Ensuring that significant findings and recommendations made by the internal and external auditors are acted on appropriately.

2.2.6 Other

- Reviewing the investment policy and reserves strategy at least annually;
- Reviewing and monitoring related party transactions; and
- Addressing any other matters referred to the Committee by the Board.

3. Authority

- 3.1 The Committee may obtain information, interview management and internal and external auditors and seek advice from external consultants where the Committee considers it necessary or appropriate.
- 3.2 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 by the Board.

4. Membership of the Committee

- 4.1 The Committee shall be appointed in accordance with Rule 22 of the Constitution by the Board and comprise at least 3 non-executive directors of the Board, one of whom shall chair the Committee.
- 4.2 The Board Chair cannot be a member of the Committee.
- 4.3 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.

- 4.4 Membership of the Committee is to be reviewed by the Board at least annually.
- 4.5 The Secretary of the Committee shall be the Company Secretary unless otherwise determined by the Committee.

5. Meetings

- 5.1 The Committee shall meet at least on a quarterly basis or more frequently as required.
- 5.2 Meetings are called by the Secretary as directed by the Board, or at the request of the Chair of the Committee.
- 5.3 Meetings shall be based on an agenda set at the commencement of each financial year.
- 5.4 A quorum shall comprise 2 of the Committee members present.
- 5.5 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.
- 5.6 The Managing Director, the Group Manager Business and Organisational Performance and other management, as required, should attend Committee meetings. The Board Chair and any other Board member may attend meetings of the Committee as of right.

6. Reporting to the Board

- 6.1 Minutes of meetings will be kept.
- 6.2 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.
- 6.3 A copy of the minutes of each meeting of the Committee is to be provided to the Board.

7. 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.

8. Access to personnel and information

The Committee may request further information from appropriate Dairy Australia staff or seek advice from external parties as appropriate.

9. Committee Performance Review

9.1 The Chair of the Committee, in consultation with the Board Chair, will conduct a review of the performance of the Committee at least every two years. 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 committees.

9.2 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.

10. 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.

11. 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.